



Ministry of Public Works
Republic of Indonesia

The Study on the Integrated Regional Development Plan for the Southern Part of Sumatra

Final Report

Vol. 2
Main Report

March 1993

Japan International Cooperation Agency



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Ministry of Public Works
Republic of Indonesia

The Study on the
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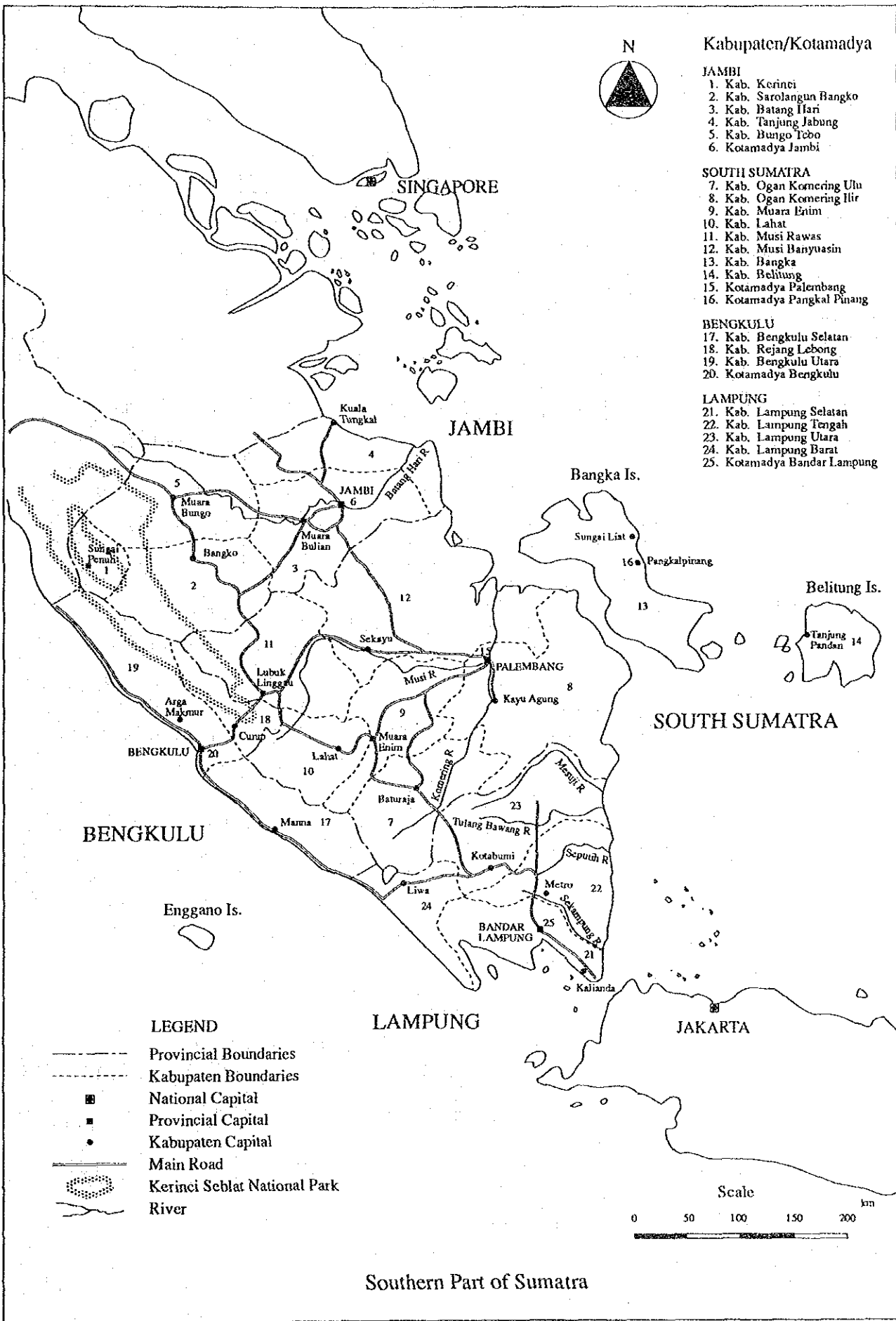
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Kabupaten/Kotamadya

- JAMBI**
 1. Kab. Kerinci
 2. Kab. Sarolangun Bangko
 3. Kab. Batang Hari
 4. Kab. Tanjung Jabung
 5. Kab. Bungo Tobo
 6. Kotamadya Jambi
- SOUTH SUMATRA**
 7. Kab. Ogan Komering Ulu
 8. Kab. Ogan Komering Ilir
 9. Kab. Muara Enim
 10. Kab. Lahat
 11. Kab. Musi Rawas
 12. Kab. Musi Banyuasin
 13. Kab. Bangka
 14. Kab. Belitung
 15. Kotamadya Palembang
 16. Kotamadya Pangkal Pinang
- BENGKULU**
 17. Kab. Bengkulu Selatan
 18. Kab. Rejang Lebong
 19. Kab. Bengkulu Utara
 20. Kotamadya Bengkulu
- LAMPUNG**
 21. Kab. Lampung Selatan
 22. Kab. Lampung Tengah
 23. Kab. Lampung Utara
 24. Kab. Lampung Barat
 25. Kotamadya Bandar Lampung



Southern Part of Sumatra

PREFACE

In response to a request from the Government of the Republic of Indonesia, the Government of Japan decided to conduct a study on the Integrated Regional Development Plan for the Southern Part of Sumatra and entrusted the study to the Japan International Cooperation Agency (JICA).

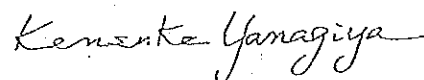
JICA sent to Indonesia a study team headed by Dr. Kunio Takase, Executive Director, International Development Center of Japan, composed of members from the International Development Center of Japan and the Nippon Koei Co., Ltd., 4 times between June, 1991 and December, 1992.

The team held discussions with the officials concerned of the Government of Indonesia, and conducted field surveys at the study area. After the team returned to Japan, further studies were made and the present report was prepared.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of Indonesia for their close cooperation extended to the team.

March, 1993



Kensuke Yanagiya
President
Japan International Cooperation Agency



**INTEGRATED REGIONAL DEVELOPMENT PLAN
FOR THE SOUTHERN PART OF SUMATRA**



Project Office: c/o Direktorat Tata Kota dan Tata Daerah, Direktorat Jenderal Cipta Karya, Departemen Pekerjaan Umum
Jl. Raden Patah 1, Kebayoran Baru, Jakarta Selatan Phone: 710387, 711750

PREFACE

The Study on the Integrated Regional Development Plan for the Southern Part of Sumatra (LTA-129) was commenced in March 1991 and has just completed in March 1993, in accordance with the Scope of Work signed in November 1990 between the Ministry of Public Works, Government of Indonesia, and the Japan International Cooperation Agency (JICA).

The Study covers southern Sumatra (the Region), that is, four provinces of Jambi, South Sumatra, Bengkulu and Lampung. Its main objectives have been to: i) formulate a 20-year long-term development plan for the Region; ii) identify priority areas and projects; and iii) strengthen the planning capability of Indonesian counterpart personnel. A joint team of the International Development Center of Japan (IDCJ) and the Nippon Koei Co., Ltd. was entrusted by JICA to carry out the Study. This Study is actually a sequel to a similar study for the northern part of Sumatra (LTA-78), whose IDEP (Integrated Development Program) approach has been adopted again in this Study to formulate a 20-year plan for the Region. Prior experience with LTA-78 has helped the JICA Team further improve various aspects of the Study. For example, the IDEPs are now organized in a way easier to implement; workshops with major sectors and in IDEP-site Kabupaten/Kotamadya were held; and counterpart collaboration has been strengthened. The Team, consisting of 17 experts of various fields, have worked two years to finally submit the draft final report to the Indonesian government on 4 December 1992.

The final Fifth Workshop was subsequently held at BAPPENAS, Jakarta, on 17 December 1992, where the participants noted the effectiveness of integrating both the Northern and the Southern Sumatra Plans (LTA-78 and LTA-129) to accelerate the transformation of the Sumatra island as an integral part of a Pacific rim economic axis. They also agreed that: i) the Report will be fully utilized as a guideline for provincial planning and budgeting particularly in the course of Repelita VI preparation; ii) the Report does not imply any official commitment nor are the projects proposed in the Study exhaustive or definitive; iii) the new deepwater seaports require a more comprehensive study; and iv) the Indonesian Government would act towards the materialization of the result following the normal government procedures led by BAPPENAS. Comments received at the Workshop have been duly incorporated into the four volumes of this Final Report.

With their vast potentiality, both northern and southern Sumatra seem on the right track recently, emerging as pioneers on the national development front. Many of the IDEPs and the projects recommended in the Studies have already been undertaken by various donors and private investors both domestic and international. The two regions' pace of transformation has been even accelerating and their bright destinations are in clear sight. It is our greatest pleasure to witness this whole process of regional development on the one hand and, on the other, to have been of some assistance in strengthening the government structure for regional planning whose basis is now much more consolidated than five years ago when LTA-78 began.

In concluding, I, on behalf of the JICA Team, would like to express my gratitude for the wholehearted support given by the two Governments, JICA, major donor agencies, and all the people concerned.

19 March 1993

Kunio TAKASE
Team Leader

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A large number of people have assisted the JICA Team in carrying out its mission. This is particularly so with the stages which were devoted to extensive field trips. Provincial BAPPEDA staff helped arrange the Team's complicated itineraries and joined Team members to the field. Government officials, both provincial and central, generously provided information and data while sometimes leading field visits themselves. Bupati and Camat welcomed the Team heartily. Impromptu interviews with farmers, shopkeepers, fishermen or even speed boat operators were always valuable with firsthand knowledge of the everyday life. Private companies and market traders willingly allowed the members to glimpse their operation. All told, the Team's acknowledgment must go to hundreds of those people. Without their assistance, this Report could have never come into being. The Team would like to thank them all with the deepest appreciation. Following are those to whom the Team are the most indebted:

Jambi

Drs. H. Abdurrahman Sayoeti	Gubernur Kepala Daerah Tk. I Jambi
Drs. H. Alamsyah Braskan	Ketua BAPPEDA Tk. I Jambi
Drs. H. Siagian SH	BAPPEDA Tk. I Jambi
Mr. Selamat Barus	Bupati Kabupaten Tanjung Jabung
Drs. Asry Rais	Sekwilda Kabupaten Tanjung Jabung
Mr. M. Thamsir, B. SH.	Ketua BAPPEDA Tk. I Tanjung Jabung
Ir. Ben Malik	Kepala Dinas Perikanan
Ir. Bachtiar Effendy	Bina Program, Kanwil Departemen Perindustrian
Ir. Hananto	Seksi Sungai, Kanwil Departemen Pekerjaan Umum
Ir. Safwan	Seksi Irigasi, Kanwil Departemen Pekerjaan Umum
Ir. Rosyid	Kepala Balai Penelitian Universitas Jambi

South Sumatra

Drs. H. T. Simanjuntak	Ketua BAPPEDA Tk. I Sumatera Selatan
Mr. A. Bainon	Wakil Ketua BAPPEDA Tk. I Sumatera Selatan
Ir. H. Anwar Arifai	Wakil Ketua BAPPEDA Tk. I Sumatera Selatan
Drs. Muchsin AS	BAPPEDA Tk. I Sumatera Selatan
Drs. Machfudz Rahim	BAPPEDA Tk. I Sumatera Selatan
Mr. Yohannes Toruan	BAPPEDA Tk. I Sumatera Selatan
Mr. H. Nang Ali Solihin SH.	Bupati Kabupaten Musi Rawas
Mr. H. A. Karim AR	Ketua BAPPEDA Tk. II Musi Rawas
Drs. H. M. Kafrawi Rahim	Bupati Kabupaten Lahat
Mr. M. Yusuf Zahri	Ketua BAPPEDA Tk. II Lahat
Mr. H. Syahrildoin, BE	Kabid Fisik dan Prasarana, BAPPEDA Tk. II Palembang
Mr. Saidi Harun	Kanwil Departemen Pertanian
Ir. Rachmat Soeyoso Soesilo	Kepala Dinas Perikanan
Ir. Patoni A. Gafar	Balai Penelitian dan Pengembangan Industri
Drs. Sutanto	Kabid Latihan dan Instruktur, Kanwil Departemen Tenaga Kerja
Mr. Rifai Achmad	Kanwil Departemen Pertambangan dan Energi
Ir. Armansolo	Bina Program Pengairan, Kanwil Departemen Pekerjaan Umum
Dr. Soekardi	Perusahaan Umum Listrik Negara, Wilayah IV
Mr. Suharno	Kepala Wilayah Usaha, Telkom Witel III
Dr. Siti Zainab Bakir	Kepala Pusat Penelitian Universitas Sriwijaya

Bengkulu

Drs. Yahya Kemaja	Ketua BAPPEDA Tk. I Bengkulu
Ir. Syarifuddin Kholik	BAPPEDA Tk. I Bengkulu
Drs. Roeskan E. Oesman	BAPPEDA Tk. I Bengkulu

Ir. Imron Rosadi
Drs. Adjis Ahmad
Drs. Yurdas Luftiyunis
Ir. Rocbimin Wibisono
Ir. Yusril
Dr. Nitza Arbi
Dr. Dwinardi Apriyanto

BAPPEDA Tk. I Bengkulu
Bupati Kabupaten Bengkulu Selatan
Ketua BAPPEDA Tk. II Bengkulu Selatan
Kepala Dinas Perikanan
Seksi Irigasi, Kanwil Departemen Pekerjaan Umum
Rektor Universitas Bengkulu
Sekretaris Balai Penelitian Universitas Bengkulu

Lampung

Ir. Bambang Irawan
Ir. Siti Nurbaya Rusli
Mr. Harris Hasyim
Drs. Dasril M.
Mr. Ismutadi, AM. SH.
Mr. Hi. Muchtar Luthfie, SH.
Mr. Abadi
Ir. Ismail Said
Mr. Taswanto, SE
Drs. Parso
Mr. Eddy

Ir. Minma
Ir. Sumbiling
Ir. Heru Prihandono S.
Ir. Sulaeman
Dr. Muhajir Utomo

Ketua BAPPEDA Tk. I Lampung
BAPPEDA Tk. I Lampung
BAPPEDA Tk. I Lampung
BAPPEDA Tk. I Lampung
Ketua BAPPEDA Tk. II Lampung Utara
Ketua BAPPEDA Tk. II Lampung Selatan
Ketua BAPPEDA Tk. II Bandar Lampung
Kepala Dinas Perikanan
Kanwil Departemen Perindustrian
Kabid Latihan, Kanwil Departemen Tenaga Kerja
Bina Program Pengairan, Kanwil Departemen Pekerjaan Umum
Seksi Sungai, Kanwil Departemen Pekerjaan Umum
Seksi Irigasi, Kanwil Departemen Pekerjaan Umum
Dinas Cipta Karya
Cabang Tanjung Karang, PLN Wilayah IV
Kepala Balai Penelitian Universitas Lampung

Jakarta/Bandung/Bogor

Mr. Suryo Sediono
Dr. Murasa Sarkaniputra
Dr. Togar Napitupulu
Mr. T. Sibarani
Ir. Enni Soetopo

Dr. Ir. Umar Said
Dr. Ir. Ukar W. Soelistijo M. Sc.

Mr. W. Subroto Modjo
Ir. Ruckyat
Mr. Didi Rasidi

Mr. Denny Siahaan

Ir. E. Batubara

Mr. Ai Mulyadi Mamoer

Mr. A. A. Nasution
Ibu Luhu Lima
Mr. Kartjono
Dr. Yulfita Raharjo
Ms. Suharto
Mr. Marcel J. Silvius

LP3E, Kamar Dagang dan Industri Indonesia
Biro Perencanaan, Departemen Pertanian
Biro Perencanaan, Departemen Pertanian
Direktorat Jenderal Perkebunan, Departemen Pertanian
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Biro Perencanaan, Departemen Pertambangan dan Energi
Pusat Pengembangan Teknologi Mineral, Departemen Pertambangan dan Energi
Volcanology Survey of Indonesia
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Kabag Pengolahan Data dan Penyusunan Rencana, Biro Perencanaan, Departemen Perhubungan
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Ketua Bagian Penelitian, Menteri Untuk Peranan Wanita
Direktur Pelaksana, Sekretariat Bina Desa
Kepala Kependudukan dan Ketenagakerjaan, LIPI
Head. GIS Section, BAKOSURTANAL
National Coordinator, Asian Wetland Bureau

Glossary/Abbreviations

Adat	Social custom; the cultural traditions and social organisation of a particular ethnic group
Adat Law	Social custom as applied to public resolution of disputes, using agreed, non-official judicial mechanisms
ADB	Asian Development Bank
AFRD	Agency for Forestry Research and Development
Alim Ulama	Islamic religious teachers
APBN	Anggaran Pendapatan dan Belanja Negara (Planned/Actual National Budget)
APBD	Anggaran Pendapatan dan Belanja Daerah (Planned/Actual Regional Budget)
AWB	Asian Wetland Bureau
BAKOSURTANAL	Badan Koordinasi Survel dan Pemetaan Nasional (National Coordinating Body for Surveys and Mapping)
Bandaria	Community (sub-desa) groups of the Peminggir people in Lampung
Bandes	Bantuan Desa (National funds allocated to village development)
Bangda	Direktorat Jenderal Pembangunan Daerah (Directorate General Regional Development, Ministry of Home Affairs)
BAPEDAL	Badan Pengendalian Dampak Lingkungan (Environmental Impact Control Agency)
Bappeda	Badan Perencanaan Pembangunan Daerah (Regional Development Planning Board)
Bappenas	Badan Perencanaan Pembangunan Nasional (National Development Planning Board)
BDL	Bandar Lampung
Bilateral	Kinship is traced through both the mother's and the father's line
Biotrop	Institute for Studies and Research in Tropical Biology (set up by SEAMEO-Southeast Asian Ministers of Education Organizations)
BKLH	Provincial Office for Population and Environment
BKPM	Badan Koordinasi Penanaman Modal (National Investment Coordinating Board)
BKPMD	Badan Koordinasi Penanaman Modal Daerah (Regional Investment Coordinating Board)

BPK	Balai Penelitian Kehutanan (Forest Research Institute)
BPN	National Land Board
BPS	Biro Pusat Statistik (Central Bureau of Statistics)
Bugis, Buginese	A seafaring ethnic group from South Sulawesi
Bupati	Regent, head of a Kabupaten (Regency)
Buway	Clan group of the Pubian people in Lampung
Camat	Head of a Kecamatan (Subdistrict)
Cerdik Pandai	Educated leaders in Minangkabau society
Cipta Karya	Directorate General of Human Settlements, Ministry of Public Works
CITES	Convention on International Trade in Endangered Species
Clan	A group of people claiming common descent from an ancestor (often mythical), with members being traced either through the mother's or the father's line
Damar	Resin from forest tree species
Departemen Sosial	Social Welfare Department
Depati	Head of a Marga (also called Pasirah)
Desa	Village, usually in rural areas (see also Kelurahan)
Dewan Marga	Council of advisors to the Pasirah under the Marga system
DGFU	Director General of Forest Utilization
Dikeresayoko	Serawai term for system of assistance to kin who suffer misfortune such as illness
Dinas	Sectoral departments of the local government
Dinas Kehutanan	Provincial Forestry Service
DIP	Daftar Isian Proyek (Project Budget)
Dusun	Hamlet; subdivision within a village
EIA	Environmental Impact Analysis
FAO	The Food and Agriculture Organization of the United Nations
GBHN	Garis-garis Besan Haluan Negara (Guidelines of State Policy)
GOI	Government of Indonesia
Gotong-royong	Forms of community co-operative working together
Hak Milik	The right to own land

Hak Pakai	The right to utilise land
Hak Ulayat	The right of members of an adapt community to utilise land which is claimed by the adat community
Harta Tubang	The inherited property (usually rice-lands, fishponds and house) passed down through the female line under Semendo adat
HPH	Hak Penggunaan Hutan (Forest Utilisation Concessions, for example logging companies)
HTI	Hutan Tanaman Industry (Industrial Timber Estate)
IDEP	Integrated Development Program
IMR	Infant Mortality Rate
IMU	IDEP Management Unit
Inhutani	A state-owned company in forestry
Inpres	Instruksi Presiden or funds allocated by national government in grant form for expenditure in the Regions
ITIO	International Tropical Timber Organization
Jala	Fishing net, a symbol of Semendo clan unity
Jenang	Malay middleman in trade with the Kubu (Suku Anak Dalam)
JICA	Japan International Cooperation Agency
Kabupaten	Regency or District; Second level of Regional Government (Level 2)
Kanwil	Regional Vertical Office
Kanwil Kehutanan	Regional Forestry Office
Kebun	Tree crop gardens or plantations
Kecamatan	Sub-district; third level of Regional Government (Level 3)
Kelurahan	Village, usually located in urban area (See also Desa)
Kepala Desa	Head of a Village (Desa)
KLH	Menteri Negara Kependudukan dan Lingkungan Hidup (Ministry of Population and Environment)
Kolonisatie	Transmigration program from Java to Outer Islands in Dutch Colonial Period
Komering	An ethnic group based in the South of South Sumatra
Kotamadya	Municipality; Second Level of Regional Government (Level 2)
KSDA	Regional Office for Conservation of Natural Resources, Ministry of Forestry

Kubu	A traditionally forest dwelling group located in South Sumatra and Jambi. They prefer to be called Suku Anak Dalam
KUD	Koperasi Unit Desa (Village Co-operative Unit)
Ladang	Dry-land cultivated field
Lebak Lebung	Swampy or seasonally inundated land
Lembaga Pemangku Adat	Consultative institution to advise on adat
Lineage	Descendants in one line (mother's or father's line) from a specified ancestor through a set number of generations
LKMD	Lembaga Ketahanan Masyarakat Desa (Village Self-Reliance Organisation)
LMD	Lembaga Musyawarah Desa (Village Consultative Council)
LPSM	Lembaga Pembinaan Swadaya Masyarakat (Indonesian Non-Government Organisation)
LSCI	Local Steering Committee for IDEP
LSM	Lembaga Swadaya Masyarakat (Indonesian Non-Government Organisation)
Lurah	Head of a Kelurahan
Madrasah	Islamic religious School
Marga	Lowest unit of local government in the Region until 1979, originally meant a kin-related, genealogical group
Matrilineal	Kin relationships are traced through the female line
Melangun	Kubu word meaning to shift the place of residence after a disaster such as illness or death
Meraje	Uncle who advises the eldest girl in Semendo adat
MOF	Ministry of Forestry
MUBA	Musi Banyuasin
MURA	Musi Rawas
Musyawah	Process of consultative decision-making
Neolocal	Married couple establish an independent household
NES	Nucleus Estate Small Holder (see PIR)
NFI	National Forest Inventory
Ngeresayo	Serawai term for co-operative house building between kin group

Ninik-mamak	Group of male adat leaders in Minangkabau tradition; usually elders of lineage groups
NSCI	National Steering Committee for IDEP
NTFP	Non-Timber Forest Products
OECF	Overseas Economic Cooperation Fund
OKI	Ogan Komering Ilir
OKU	Ogan Komering Ulu
Pasang Surut	Tidal, also tidal swamp cultivation of rice
Pasemah	An ethnic group centred in the upland areas of Lahat
Pasirah	Head of a Marga
Patrilineal	Kin relationships are traced through the male line
PBB	Pajak Bumi Dan Bangunan (Tax on Land and Buildings)
Pedanda	Balinese Hindu priest
Pemangkat Pasirah	Marga officials assisting the Pasirah
Pemerintah Daerah	Local Government or Regional Government
Peminggir	An ethnic group from Lampung
Penggawo	Leader of a hamlet under the Marga system
Perum Perhutani	A state-owned company responsible for the forests on Java
PH	Direktorat Jenderal Pengusahaan Hutan (Directorate General of Forest Utilization)
PHPA	Direktorat Jenderal Perlindungan Hutan dan Pelestarian Alam (Directorate General of Forest Protection and Nature Conservation)
PIR	Perkebunan Inti Rakyat (Smallholder nucleus estates)
PKK	Pendidikan Kesejahteraan Keluarga, a women's organisation operating at village level and focussing on family welfare
PODES	Potensi Desa (Village Potential), a data source for village level information provided by the Village Head
Pola Dasar	Basic Policy
Posyandu	Village health aid posts staffed by volunteers
PPLH/PSL	Environmental Study Centre (university-based)
Pubian	An ethnic group from Lampung
Puskesmas	Community health centre at Kecamatan level

Rejang	An ethnic group originating in Kabupaten Rejang Lebong, Bengkulu
Repelita	Rencana Pembangunan Lima Tahun (Five-Year Development Plan)
Repelitada	Rencana Pembangunan Lima Tahun Daerah (Five-Year Regional Development Plan)
RePPPProT	Regional Physical Planning Programme for Transmigration
RRL	Direktorat Jenderal Reboisasi dan Rehabilitasi Lahan (Directorate General of Reforestation and Land Rehabilitation)
RSTRP	Rencana Struktur Tata Ruang Propinsi (Provincial Spatial Structural Plan)
Sakernas	Survei Angkatan Kerja Nasional (National Labour Force Survey)
Sekwilda	Sekretaris Wilayah Daerah (Secretary to Governor or Bupati)
Semendo	An ethnic group originating in Kabupaten Muara Enim, South Sumatra, and spreading into Lampung and Bengkulu
Serawai	An ethnic group located mainly in Kabupaten Bengkulu Selatan
Suku Anak Dalam	Children of the Interior (Inside the Forest). This is the name the Kubu people prefer to be called.
SUPAS	Intercensal Survey
Tambak	Fishpond
Tanah Bengkok	Rice lands, the income of which is used by incumbent village officials during their term of office
Tanah Negara Bebas	A category of State land
TGHK	Tata Guna Hutan Kesepakatan (Forest Land-Use by Concensus)
Tk I, Tk II	Level of government (Level I: Province, Level II: Kabupaten/Kotamadya)
TPI	Tebang Pilih Indonesia (Indonesian Selective Cutting System)
TPTI	Tebang Pilih Tanam Indonesia (Indonesian Selective Cutting and Planting System)
Trans Bandep	Transmigrasi Bantuan Departemen (Transmigration to increase the population of sparsely populated, existing villages)
Translok	Transmigrasi Lokal, or transmigration within provinces
Tunggu Tubang	The eldest girl who inherits the family wealth in Semendo adapt
Ulama	See Alim Ulama
UNDP	United Nations Development Programme
UNSRI	Universitas Sriwijaya (University of Sriwijaya, Palembang)

Uxorilocal	Husband resides with the wife and her kin on marriage
Virilocal	A married couple resides with the husband's kin group
WALHI	Indonesian Environmental National Forum
Walikota	Head of a Kotamadya
Warung	Small shop or stall
WB	World Bank
Wedana	Head of a Javanese Kewedanaan (District) administrative unit (no longer in existence)
WWF	World Wide Fund for Nature

**THE STUDY ON THE INTEGRATED REGIONAL DEVELOPMENT PLAN
FOR THE SOUTHERN PART OF SUMATRA
(LTA-129)**

FINAL REPORT

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1. THE STUDY

1.1 BACKGROUND

The Japan International Cooperation Agency (JICA), in close cooperation with the authorities concerned of the Government of Indonesia, successfully conducted the Study on the Integrated Regional Development Plan for the Northern Part of Sumatra (LTA-78) in 1988-1990. The Government of Indonesia subsequently in May 1989 requested the Government of Japan to implement another study which would cover the southern part of Sumatra, thereby setting the whole of Sumatra under one consistent plan.

In response to the request, the Government of Japan in July 1989 agreed to conduct the Study on the Integrated Regional Development Plan for the Southern Part of Sumatra (hereinafter referred to as the Study) as a technical cooperation project code-named LTA-129. According to the agreement, the Study has been undertaken by JICA in close cooperation with the Directorate General of Human Settlements (DGCK), the Ministry of Public Works, and other central and provincial government agencies concerned.

After the Scope of Work for the Study was signed on 7 November 1990, JICA entrusted the Study to the International Development Center of Japan (IDCJ), which jointly with the Nippon Koei Co., Ltd. (NK) formed a study team consisting of 17 experts. Following the Terms of Reference, the Team started its work in March 1991 and finished in March 1993.

1.2 COVERAGE

The Study covers the southern part of Sumatra (Region), that is, four provinces of Jambi, South Sumatra, Bengkulu and Lampung. The time span of the Regional Development Plan is 20 years from 1990 to 2010.

1.3 OBJECTIVES

The objectives of the Study are to:

- 1) formulate a 20-year long-term development plan (1990-2010) for the Region to achieve harmonious socio-economic and physical development in consonant with the framework of the National Development Plan, taking into consideration the importance of coordination among past and on-going studies and projects;
- 2) identify priority areas and projects in accordance with the framework of the Regional Plan above; and
- 3) strengthen the planning capability of Indonesian counterpart personnel.

1.4 APPROACH

1.4.1 Combining National and Local Development Initiatives

Majestic modern factories and high-rise buildings, seemingly boundless stretches of plantations, elegant networks of shining highways--those are salient elements of contemporary development. A nation's development, however, can never be complete with them alone. If development in its true sense is at all possible, less visible efforts are indispensable by hundreds of thousands of ordinary people working in the communities--village leaders, primary school teachers, health care workers, extension workers, dedicated farmers, and so on. The initiatives in development must always come in two opposing directions: from "top" down and from "bottom" up.

The two directions are evident in development projects, which can be roughly classified into two groups. One group of projects are driven by the national development initiatives to meet national or strategic requirements such as efficiently achieving economic growth or completing nationwide networks. The other group consists of those projects which support the local development initiatives, heeding local needs and encouraging people's participation in the developmental process.

For the present Indonesia, regional development planning cannot favor either group only. In fact, there is an increasing concern with the local development initiatives as large-scale construction projects are more often called into question while the decentralization policy is gradually taking hold in the local government. On the other hand, it is unrealistic to entirely dismiss nationally initiated projects if we want to achieve, say, the planned target of GDP growth. What is necessary is not a one-sided approach but an optimal combination of the two groups of projects.

A sub-national region is an intermediate level between the nation and the grassroots, and it is exactly there that the two opposing directions of initiatives cross, conflict and possibly fuse together. Noting this as a primary merit of regional development, the Team adopts the approach of combining the national and the local development initiatives into one coherent planning framework. Figure 1.4.1 schematically illustrates this approach.

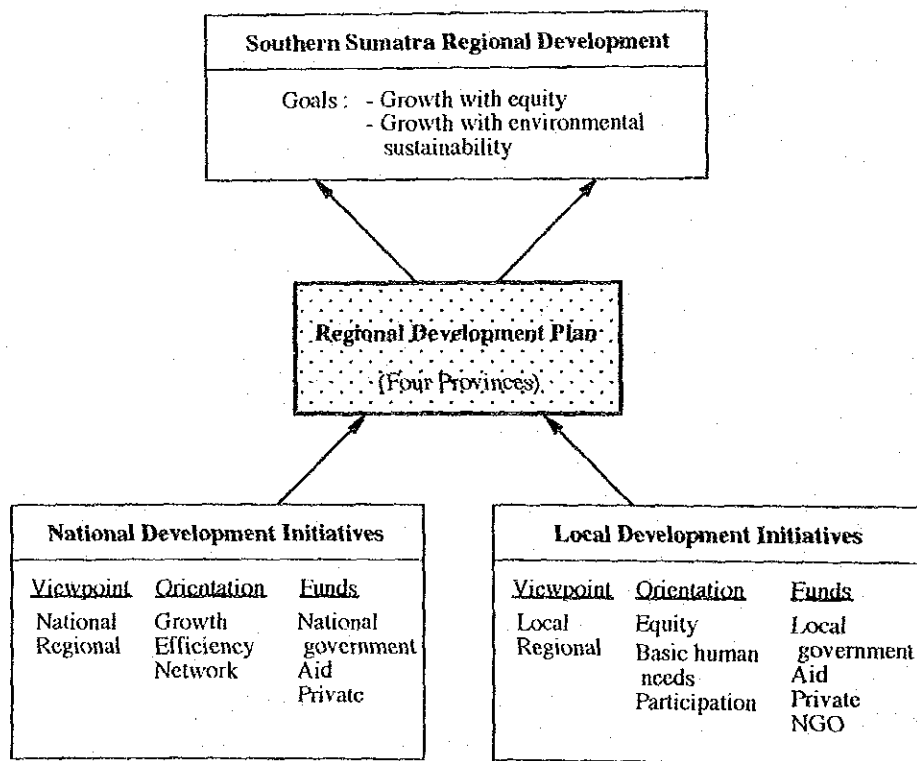


Figure 1.4.1 Combining National and Local Development Initiatives

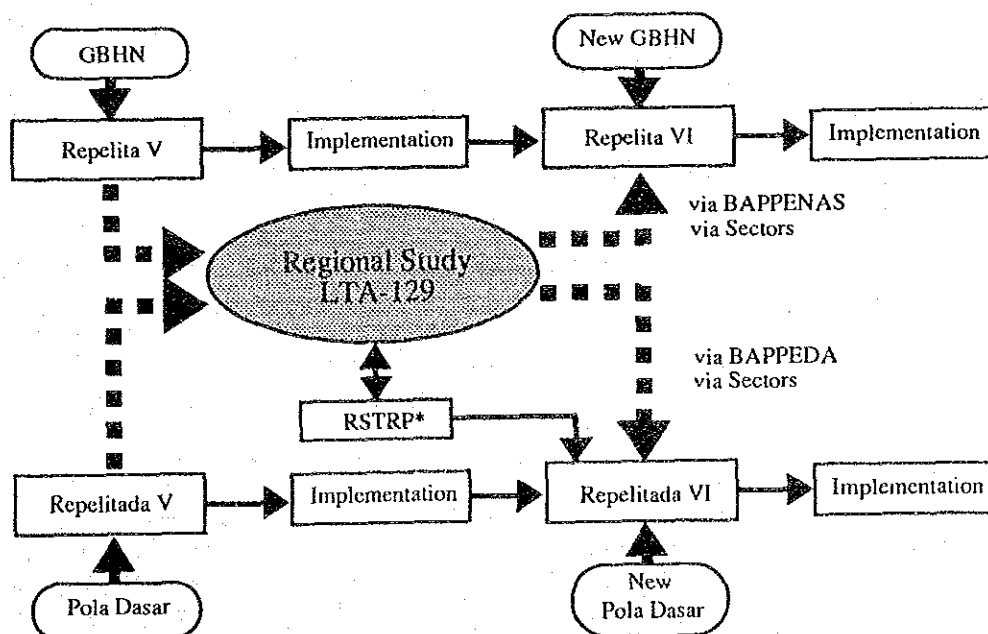
1.4.2 Integrated Development Program (IDEP)

Another basic approach which is to be adopted by the Team in this planning exercise is the Integrated Development Program (IDEP) approach, first developed in the Northern Sumatra regional plan (LTA - 78). Because of the vast land area of the Region and limited financial resources available for its development, the Team considers it advisable to select some priority areas and focus attention on them when formulating specific projects. An IDEP is a multi-sectoral program in which various projects are integrated in a consistent and coherent manner to cover a priority area, usually of kabupaten-size. The identification of IDEP sites is of such a vital importance that the Team has undergone a careful process of assessment. Once formulated, the IDEPs are the central pillar of the Southern Sumatra regional plan.

Even though IDEP is this Study's basic approach and indeed the six IDEPs that are identified are the foci of the Plan, it is not that the IDEP is completely replacing the conventional sectoral approach where sectoral projects are identified, formulated and carried out by respective sectoral ministries and agencies. It may be more accurate to say the two approaches are mutually complementary in making a good regional plan: sectoral projects are the building blocks of the IDEP while the IDEP provides a broader frame of reference to sectoral projects. Thus, all projects identified in the Study, whether components of the IDEPs or not, are listed in the long lists (Vol. 4) under relevant sectoral classifications.

1.4.3 Study's Relationships with Other Plans

The Study's relationships with other official plans are shown in Figure 1.4.2. It is based on Repelita V (Fifth Five-Year Development Plan) and Repelitada V (Provincial Repelita V), which are in turn based on GBHN (Guidelines of State Policy) and Pola Dasar (Basic Policy) respectively. RSTRP (Provincial Spatial Structural Plan) is both an input to the Study and supported by the Study with its preparation. The Study's output will be used in formulating next Repelita VI and Repelitada VI.



* Provincial Spatial Structural Plan, authorized in October 1992 by law (UU No.24 Tahun 1992).

Figure 1.4.2 Study's Relationships with Other Plans

1.5 SOCIO-CULTURAL RESEARCH PROGRAM

1.5.1 Purpose and Scope of the Research

Within this Study, the JICA Team has also carried out a research program to probe into the socio-cultural aspects of the Region in cooperation with four major provincial universities in the Region (Universities of Jambi, Sriwijaya, Bengkulu and Lampung). The program has three aims: to extend the socio-cultural data base allowing detailed micro-studies; to draw upon the universities' expertise in preparing the Plan; and to enhance their capacity to conduct relevant research. Two broad topics were identified for the program:

- 1) people, land use and environment; and
- 2) social institutions and the planning process.

A total of ten projects were selected and funded at the four universities. For details see Part 2, Vol. 3. A condensed report is attached to this volume as Appendix 1.

1.5.2 Findings

In the southern part of Sumatra, social and cultural factors have significant influence in shaping the patterns of development. For example, the many cultural forms, both of original inhabitants and of newer settlers in the Region, help to shape patterns of land use, environmental management, the implementation of local level planning and the organization of the workforce. These patterns are diverse and complex, reflecting the many rich cultural traditions of the Region. Yet some common themes are clearly visible, due partly to the impacts of rapid social change as development gathers momentum. These impacts have both positive and negative social effects. Recognizing these factors is important. It will help to screen out the negative effects of rapid development and give maximum opportunity to the people of the Region to shape their own future. Local traditions, aspirations and preferences can contribute significantly when taken into account in planning and managing development strategies, programs and projects.

1.6 STUDY ORGANIZATION

1.6.1 Overall Structure

The overall organizational arrangement for this Study is shown in Figure 1.6.1.

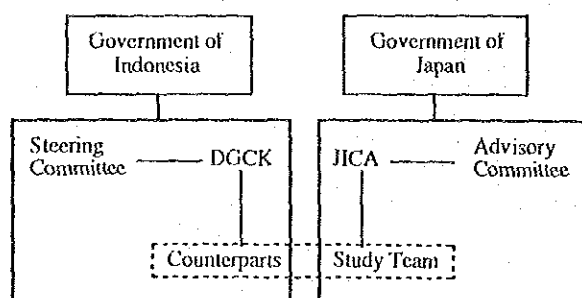


Figure 1.6.1 Study Organization

1.6.2 Steering Committee

To implement this Study, the Directorate General of Human Settlements (DGCK) of the Ministry of Public Works acts as the counterpart agency to the JICA Team. In view of

the Study's importance as an input to sectoral as well as provincial planning, the Indonesian government recognizes a further need to guide and steer the course of the Study from a broad perspective so that the product can fulfill its objectives. Hence the Steering Committee has been set up, composed of the agencies most related to regional development: DGCK of the Ministry of Public Works, Directorate General of Regional Development (BANGDA) of the Ministry of Home Affairs, Bureaus under the Deputy Chairman for Regional Affairs of BAPPENAS, and BAPPEDA of the four provinces. The Committee, chaired by the Deputy Chairman for Regional Affairs of BAPPENAS, has coordinated various government as well as non-government agencies concerned and guided the Study's implementation and contents. For the members, see Appendix 6.

1.6.3 Technical Committee

A Technical Committee has also been set up under the Steering Committee to deal with details and technical matters of the Study. The Committee consists of staff members from the agencies represented at the Steering Committee (For the members, see Appendix 6). The Committee guides the DGCK Counterpart Team who work closely with the JICA Team in data collection, discussion with central and provincial agencies, field survey and report preparation.

1.6.4 Counterpart Team (DGCK Team)

A counterpart team has been formed in the Sub-Directorate of Regional Planning (PUW), Directorate General of Human Settlements (DGCK) of the Ministry of Public Works. The Team, headed by Mr. Roslan Zaris during the first half and Mr. Maurits Pasaribu in the second, consists of the following staff members:

Head	Mr. Roslan Zaris	(Mar 1991-Mar 1992)	Head, PUW
	Mr. Maurits Pasaribu	(Apr 1992-Mar 1993)	"
Member	Mr. Maurits Pasaribu	(Mar 1991-Mar 1992)	Staff, PUW
	Mr. Amwazi		"
	Ms. Dyah Herawati		"
	Mr. Agus Muharram		"
	Mr. Husni Taufik		"
	Mr. Hamzah		"
	Mr. Budi Situmorang		"
	Mr. Melanthon Sitinjak		"

1.6.5 Provincial Setup

Basically, the provincial counterpart agency for this Study is BAPPEDA of each province. BAPPEDA Tk. I not only cooperates with the JICA Team and the DGCK Team but also coordinates dinas (provincial technical offices), kanwil (representative office of central government ministry), bupati (kabupaten head) and BAPPEDA Tk. II (kabupaten/kotamadya BAPPEDA) for the purpose of study implementation.

1.6.6 Contact Persons

The Minutes of Meeting between DGCK and the JICA Preliminary Study Team signed on 7 November 1990 stipulated that DGCK would designate contact-point personnel in respective agencies of the central and the provincial governments. Accordingly, upon DGCK's request, an official has been designated as the contact person in each major ministry and agency, usually from Bureau of Planning (Biro Perencanaan). Their appointment has greatly facilitated the Team's work in keeping close relationship with those ministries and agencies.

1.6.7 Advisory Committee

On the Japanese side, the Advisory Committee has been set up by JICA to provide the Team with advice on study implementation. The members are:

Chairman	Prof. Koichi BABA
Member	Mr. Mitsuhiro OKADA*
	Mr. Takashi NAMBA
	Mr. Teruaki OHSHIMA
	Mr. Kazuo KURIHARA*
	Mr. Shinji FUJINO
	Mr. Kazuhiro ASANO
	Mr. Akira NISHIHARAGUCHI*
	Mr. Makoto YAMAGUCHI
	Mr. Takayoshi OHGAI*
	Ms. Yuriko MIYAO

* former member

1.6.8 JICA Team

The JICA Team members are as follows:

Team Leader	Dr. Kunio TAKASE	(IDCJ*)
Deputy Team Leader/ Regional Planner	Dr. Norimichi TOYOMANE	(IDCJ)
Regional Economist	Mr. Masakazu WATANUKI	(NK**)
Agricultural Planner	Ms. Hiroko SATO	(IDCJ)
Agricultural Specialist	Mr. Yojiro SEKIGUCHI	(NK)
Fishery Specialist	Mr. Hiroshi FUKAO	(IDCJ)
Industrial Planner	Mr. Masanobu SAKAKURA	(NK)
Energy/Mining Specialist	Dr. Atsushi FUKUSHIMA	(IDCJ)
Tourism Specialist	Mr. Jun TANIMIZU	(NK)
Water Resources Planner	Mr. Ken NISHINO	(NK)
Transportation Planner	Mr. Manuel KNIGHT	(NK)
Port Planner	Mr. Tomoo AMANO	(IDCJ)
Telecommunications Specialist	Mr. Wataru KURASHIMA	(IDCJ)
Urban and Rural Planner	Ms. Tomoko KOBAYASHI	(IDCJ)
Land Use/Forestry/ Environment Specialist	Mr. Hiroshi HASEGAWA	(NK)
Policy and Institution Analyst	Mr. Mitsuhiro HAYASHI	(IDCJ)
Socio-Cultural Specialist	Ms. Susanna PRICE	(IDCJ)

* International Development Center of Japan

** Nippon Koei Co., Ltd.

1.7 TIME FRAME

This two-year Study began in March 1991 and was completed in March 1993. The work has followed the flow shown in Figure 1.7.1. Figure 1.7.2 depicts its overall time frame.

1.8 WORKSHOPS

The workshop in this Study has important objectives. It not only aims at the diffusion of study output to a broad audience but also functions as an occasion of policy dialogue and guidance. In principle, each report prepared in the Study was first discussed in a draft form at a series of workshops held at the end of each stage. The report will then be finalized incorporating comments given there and by the JICA Advisory Committee.

The series of workshops held at each stage's end basically consists of (i) one national workshop in Jakarta represented by central government agencies, provincial BAPPEDA and major donors, and (ii) four provincial workshops ("mini-workshops") in the provincial capitals attended by provincial dinas/kanwil, BAPPEDA Tk. II and other concerned

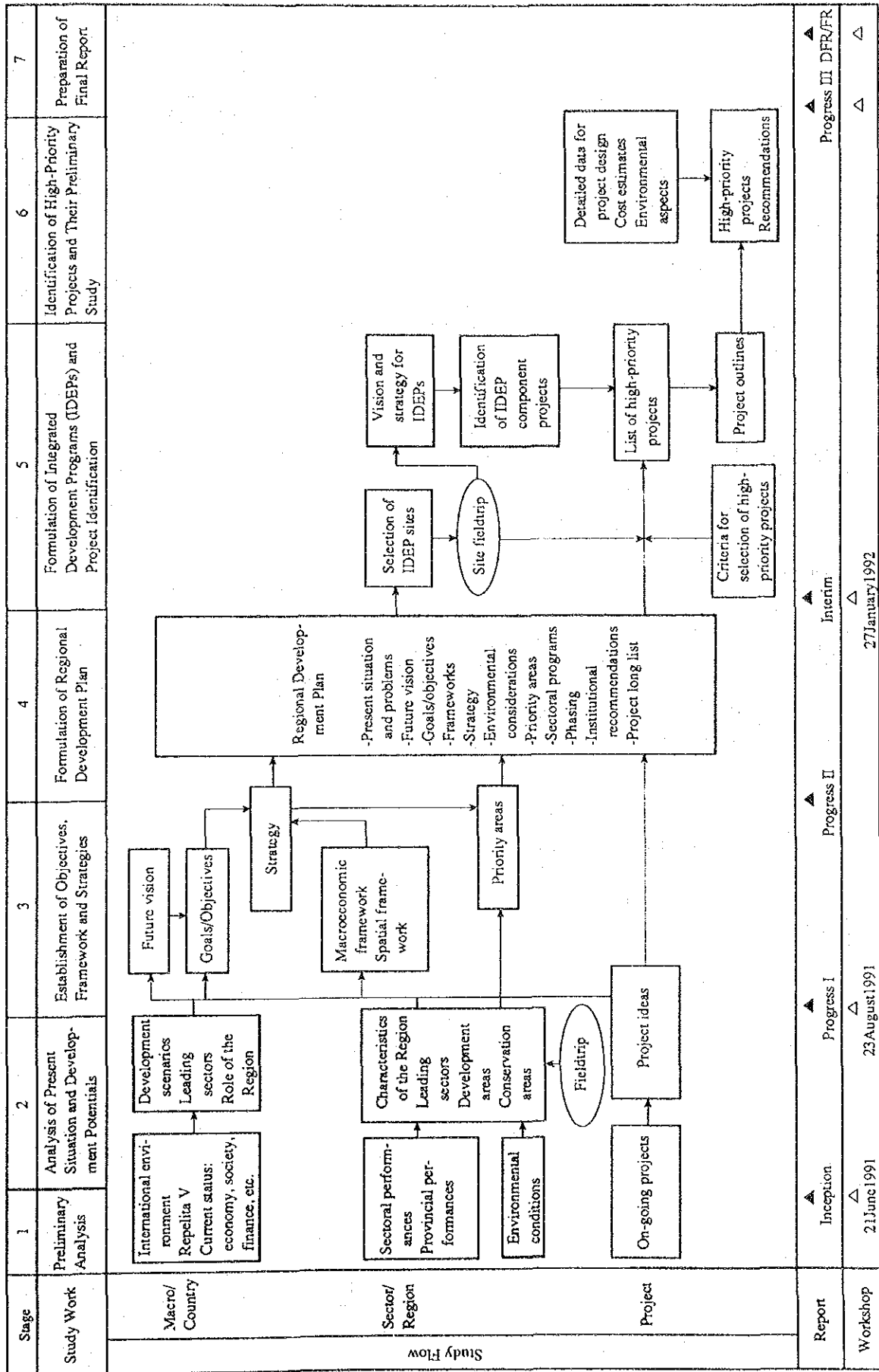






Figure 1.7.1 Stages and Flow of the Study

Month/Year	Stage	Work	Report	Workshop	Mini-Workshop	Counterpart Study*
Mar/91	Analysis of Present Situation and Development Potentials	Mar/91	Inception Report (Mar/92)	21/Jun/91	Jun/91	
Aug/91		Jun/91	Progress Report I (Aug/91)	23/Aug/91	Jul/91 Aug/91	
Nov/91	Establishment of Objectives, Framework and Strategies	Sep/91				
		Oct/91	Progress Report II (Dec/91)		Oct-Nov/91	Oct/91 (1)**
Jan/92	Formulation of Regional Development Plan	Jan/92	Interim Report (Feb/92)	27/Jan/92	Jan/92	
Sep/92	Formulation of IDEPs and Preliminary Study of High-Priority Projects	Jun/92			Jul/92	Mar/92 (1)**
		Sep/92	Progress Report III (Sep/92)	2/Sep/92 7/Sep/92	Sep/92	
Mar/93	Preparation of Final Report	Nov/92	Draft Final Report (Nov/92)			Oct/92 (2)**
		Dec/92	Final Report (Mar/93)	17/Dec/92		Nov/92

 Work in Indonesia
 Work in Japan

 Workshop/Mini-Workshop
 Pre-Workshop Meeting

* 3 weeks/tour
 ** Participants

Figure 1.7.2 Time Frame of the Study

agencies. In addition to them, a total of seven kabupaten mini-workshops were held in September 1992 in those kabupaten and kotamadya which are selected as the IDEP sites to discuss the IDEP proposals contained in Progress Report III (September 1992). Figure 1.7.2 above also indicates the dates of those workshops.

1.9 COUNTERPART TRAINING

Under the scheme of JICA counterpart training, four staff members (DGCK and BAPPENAS) visited Japan for a three-week course on regional development and planning. Their rough itineraries are shown in Figure 1.7.2.

2. THE REGION AND ITS PLAN

2.1 WHY SOUTHERN PART OF SUMATRA?

This Study covers the southern part of Sumatra (the Region), namely, four provinces of Jambi, South Sumatra, Bengkulu, and Lampung. The Region was selected as a subject of the long-term development planning mainly from the following reasons:

- 1) The Region has high development potentials, located between the northern part of Sumatra and Java, two highly growing regions in Indonesia;
- 2) Socio-economic ties within the Region are being expanded and diversified from historical east-west directions (along the rivers) to north-south ones (along the trans-Sumatra highway) thereby necessitating regional or interprovincial perspectives;
- 3) The Region as a whole is in urgent need of reviewing the past development and establishing new comprehensive planning in order to achieve balanced and orderly future development while avoiding unwelcome conflicts stemming from individual provincial planning; and
- 4) The Region lacks a long-term plan consistent with the Northern Sumatra Integrated Regional Development Plan (LTA-78, completed in 1990) on the one hand and the West Java Regional Development Study (LTA-47, completed in 1988) on the other.

Because of the proximity to Java, the Region particularly in the southern part has long been receiving enormous transmigrants. With a continuous and massive influx of the transmigrants including spontaneous one for several decades, the Region as a whole had grown rapidly in one side, but at the same time the precipitous transmigration has partly brought about the unbalanced development within the Region. This caused to prevent the Region from rectifying its chronic disparities on the socio-economic viewpoint and also to endanger or even disrupt the environment, resulting in increase of vulnerability for flood in some places where excessive new settlement occurred. Thus, the previous plan was far outdated and the Region entails to establish long-term planning to achieve viable and the balanced development while protecting its invaluable environment as a national asset.

2.2 NATIONAL SETTING

2.2.1 International Environment

The world economy after the slowest annual growth in a decade will post a nearly zero growth (0.4%) in 1991 due to recession in industrialized economies in North America and Europe coupled with the collapse of communism regimes in the Soviet Union and Eastern Europe. Industrialized countries were forecasted to grow by 1.3% while developing countries would post a 3.4% growth in 1991. Under this sluggish environment, the fastest growing region in the world economy is obviously Asia, which is expected to increase around 6% growth in 1990 and 1991. In fact, the region's economy has grown at an average annual rate of 6.6% during the past quarter century while the developing countries as a whole have recorded 4.5% average.

Asian economy as a whole, however, entered a slowdown path due mainly to prolonged recession in the US and decline in the Japanese economy, since both countries are significant trade partners for Asian countries. This sluggish economy surrounding Asia seems to continue a couple of years ahead.

One of the recent highlighted agenda in the international arena is a series of discussions of forming regional trade groups or zones. They are the European Free Trade Association (EFTA) in Europe and the North American Free Trade Agreement (NAFTA) in North America, aiming at completely eliminating tariff against each other, while maintaining their individual protection regimes for other trade. In response to the above movements, Asia-Pacific Economic Cooperation (APEC) has also been advocated encompassing the entire Asia Pacific Rim. Meanwhile, the Association of Southeast Asian Nations (ASEAN) announced plans to establish the Free Trade Areas (AFTA) and also the East Asia Economic Caucus (EAEC) to discuss issues of common concern in the East Asian region. When and if this economic formation particularly encompassing ASEAN is established as an outward-looking regional integration arrangement, then it will contribute greatly to the realization of regional cooperation, cohesion and resilience of Asian economies. This will be quite beneficial and helpful to Indonesia, which enjoys dynamic development through successful structural transformation benefited from outward and market oriented economy.

2.2.2 Indonesia's Recent Performance

(1) Recent Economic Growth

Indonesia has achieved high economic growth since the last half of the 1980s, stimulated by drastic foreign direct investment and a series of deregulation. GDP with oil/gas amounted to Rp. 167.5 trillion in 1989 and Rp. 197.7 trillion in 1990, with annual growth rates of 7.5% and 7.4%, respectively. Since 1990, however, the country was obliged to introduce austere countermeasures to maintain sound economic environment. In spite of this unfavorable situation, the Indonesian economy provisionally grew at 6.57% in 1991.

(2) Investment

Private investment has been a significant mainstay of the vigorous economy, in response to a series of deregulation packages. Hitting bottom at US\$ 0.8 billion in 1986, approved foreign direct investment (PMA) jumped from US\$ 1.5 billion in 1987 to US\$ 8.8 billion in 1990 but somewhat stagnated in 1991 due to stringent monetary policy.

Approved domestic investment also rose sharply from Rp. 4.4 trillion in 1986 to Rp. 14.0 trillion in 1988 and Rp. 59.9 trillion in 1990. Most of the approved investment were channeled to manufacturing sector which accounted for 64.5% of the total PMA in 1990, and 68.4% of the cumulative amount of the domestic investment in 1968-90. However, domestic investment sharply decreased more than 30% to Rp. 41.1 trillion in 1991.

Precipitous investment coupled with vigorous domestic consumption in the late 1980s triggered overheated economy, creating strong inflationary pressure, wage hike and labor shortage in skilled workforce. Inflation rose from 6.0% in 1989 to 9.5% in 1990 and is estimated at around 9.5% in 1991. It also appeared that the rapid investment outstripped the present capacity of the infrastructure such as electricity, telecommunications, roads and ports. Newly introduced tight monetary policy severely affected both foreign direct investment and domestic investment. This situation will continue in some years until Indonesia can adjust itself to a new economic order.

(3) Trade

Exports amounted to US\$ 27.4 billion in 1990/91 and US\$ 29.5 billion in 1991/92, with annual growth rates of 14.8% and 7.8%, respectively. The most notable recent trend in export was the significant shift from oil/gas to non-oil/gas commodities, particularly manufactured products. Non-oil/gas commodities accounting for 51.8% in 1987/88 rose to 63.7% in 1991/92, totaling US\$ 18.8 billion. Their annual growth rates registered at 28.2% in 1988/89 and 19.0% in 1989/90. This sharp increase in export of non-oil/gas commodities, however, tapered off in 1990/91 with an annual growth of 6.0%, and rebounded in 1991/92

posting an 17.8% growth over the previous year. Oil/gas export, on the other hand, widely fluctuated recently, amounting to US\$ 11 billion in 1990/91 and 1991/92.

In the case of imports, non-oil/gas commodities amounted to US\$ 18.7 billion in 1990/91 (annual growth rate of 25.9% over the previous year) and US\$ 20.7 billion (10.8%) in 1991/92, particularly capital and intermediate products reflecting the private investment boom. Thus, Indonesia's trade surplus, peaking at US\$ 6.5 billion in 1989/90, registered at US\$ 5.9 billion in 1990/91 and US\$ 6.1 billion in 1991/92.

(4) Balance of Payments

Indonesia's current account deficit, which narrowed to US\$ 1.6 billion in 1989/90, expanded drastically to US\$ 4.4 billion in 1991/92. The current account deficit in 1992/93 is expected to be US\$ 4.4 billion, the same level as the previous year. This aggravation was chiefly attributed to the following factors :

- 1) decline in growth of non-oil/gas export;
- 2) rapid increase of non-oil/gas commodities represented by the capital and intermediate goods; and
- 3) sharp increase in off-shore commercial borrowings in line with foreign direct investments.

Outstanding official foreign debt was US\$ 40.4 billion in 1989/90 and reached US\$ 42.2 billion as of Sept. 1991. Total official foreign debt repayment including interest, which amounted to US\$ 5.4 billion in 1987/88, increased to US\$ 6.2 billion in 1989/90. This repayment was defrayed at Rp. 13,145 billion or US\$ 6.7 billion in 1991/92. It accounted for an around 50 % of the government routine expenditure. The Debt Service Ratio (DSR) peaking at 31.9% in 1988/89 declined to 24.6% in 1990/91 and is expected to be 24.3% in 1991/92.

Meanwhile, outstanding external debts including private debt were US\$ 53.1 billion at the end of 1989 (World Debt Table) and reached US\$ 56.2 billion as of Sept. 1991. Official debt totaled US\$ 42.2 billion and the private debt increased to US\$ 14.0 billion in response to the rapid investments since the latter half of the 1980s. Thus, increase in external debt posed serious concerns on the economic, monetary and fiscal policies stance of Indonesia, resulting in aggravating the balance of payments position and financial burden to the budget arrangement.

(5) Policy Countermeasures

To cope with the unfavorable hardships, the Indonesian government introduced a series of monetary and fiscal policies since mid-1990 aiming at: a) stabilizing balance of payments, b) avoiding increase of external debts, and c) cooling down of inflation. In line with these policies, the government, which had been under reviewing large-scale projects related to energy and petro-chemical industries amounting to US\$ 80 billion, decided in October 1991 to reschedule their implementation indefinitely. The government, moreover, announced postponement of four giant projects which were scheduled in 1991/92 with a total investment of US\$ 9.8 billion to relieve pressure on the balance of payments. The government, however, announced implementation of 15 projects related to infrastructure amounting to US\$ 5.1 billion scheduled up to 1994/95 aiming at relieving various fields of bottlenecks in infrastructure.

Furthermore, the government revealed in its announcement that it would impose an annual ceiling on offshore commercial borrowings to prevent the nation from aggravating balance of payments position. The ceiling was set to average US\$ 6.0 billion each year up to 1995/96. State-related foreign borrowings need approval from the Foreign Commercial Debt Team (FCDT), while private projects do not need government approval but subject to an annual

quota. Due to decline of oil prices and reduction of foreign aid receipts, the government also announced a rather stringent fiscal budget for 1992/93 amounting to Rp.56.1 trillion (11.0% annual increase), which comprises routine expenditure of Rp.33.2 trillion and development expenditure of Rp.22.9 trillion.

The reschedule and postponement of the major upstream industrial projects, which would provide basic materials to downstream industries, would have significant impacts on the Indonesian economy in the short run. Tight monetary and stringent fiscal policies will continue in some years ahead. The decision, however, is considered appropriate and essential to safeguard the national interests and development in the long run. When combined effects above are all taken into account, the Indonesian economy is obliged to slow down at least in the short term and will be rebounded when the country's economic situation improves and the world economy recovers.

2.2.3 Targets of Repelita V and Interim Achievements

(1) Targets of Repelita V

Repelita V intends to accomplish the structural transformation of the Indonesian economy, leading towards a more diversified, efficient and dynamic economy to prepare for self-sustaining development commencing in forthcoming Repelita VI. The Plan aims to achieve a balanced economic structure, with special emphasis on the agricultural sector (self-sufficiency in foodstuffs and promotion of product diversity) and on the industrial sector (promotion of export-oriented commodities, absorption of large manpower and processing of agricultural products).

To support the objectives of the structural transformation and labor force absorption, the national economy is expected to grow at an average of 5% per annum over the planning time horizon. The growth is projected to rely mainly on the rapid expansion of the non-oil/gas exports and the dynamic growth of the private sector. Table 2.2.1 lists the main targets of Repelita V and its interim achievements.

(2) Gross Domestic Product

Gross Domestic Product (GDP) with oil/gas rose from Rp. 167.5 trillion in 1989 to Rp. 197.7 trillion in 1990 at current prices, with an average annual growth rate of 7.4% in real terms. This vigorous growth was attributed mainly to the active domestic investment coupled with robust domestic consumption, expansion of non-oil/gas exports and a temporary windfall bonanza of oil/gas exports in 1990.

By sectoral growth, the manufacturing sector expanded over 10% per annum, notably non-oil/gas industry showing an average annual growth rate of 12.3%. Construction, transport and telecommunication, and trade also exhibit significant growth, showing average growth rates of 13.0%, 10.8% and 9.1%, respectively. Manufacturing shared around 20% of GDP in 1990, which has already surpassed 2.5 percentage points over the sectoral target of 16.9% in 1993. The agricultural sector, on the other hand, lost its share by 1.6 percentage points to 19.6% in 1990 due to slack growth.

(3) Trade

Exports marked a record of US\$ 29.2 billion in 1991/92. Non-oil/gas exports, the main drive of exports, rapidly expanded around 20% to US\$ 14.5 billion in 1989/90, but increased only 6.1% to US\$ 15.4 billion in 1990/91. This moderate growth of non-oil/gas exports was mainly attributed to sharp price decline of primary export commodities, plummeted drop in exports of wooden products and slowdown of manufactured goods due to strong domestic consumption. Non-oil gas exports drastically increased to US\$ 18.2 billion in 1991/92, with a 18.5% annual rate of growth.

Table 2.2.1 Main Targets of Repelita V and Interim Achievements

	Target				Average Growth Rate (%)	Realization				Average Growth Rate (%)
	1988/89	1989/90	1990/91	1993/94		1988/89	1989/90	1990/91	1991/92	
1. GDP (%)										
Agriculture	23.2			21.6	3.6	21.2	20.5	19.6	-	3.2
Mining/ Quarrying	15.9			12.6	0.4	15.9	15.6	15.2	-	5.1
Manufacturing	14.4			16.9	8.5	18.2	18.5	19.3	-	10.7
Non-oil/gas	(9.6)			(12.3)	(10.0)	(13.6)	(14.1)	(14.9)	-	(12.3)
Oil/gas	(4.8)			(4.6)	(4.2)	(4.6)	(4.3)	(4.4)	-	(5.9)
Construction	5.6			5.8	6.0	5.3	5.5	5.8	-	13.0
Trade	15.9			16.7	6.0	15.7	16.0	16.2	-	9.1
Transport	5.7			6.0	6.4	5.2	5.4	5.5	-	10.8
Others	19.3			20.4	6.1	18.5	18.6	18.4	-	7.1
Total	100.0			100.0	5.0	100.0	100.0	100.0	-	7.5
2. Balance of Payments (US\$ bil)										
Current Account	-1.9	-2.4	-2.2	-0.5		-1.9	-1.6	-3.7	-4.4	
Exports	18.7	20.3	22.6	31.9		19.8	23.8	28.1	29.2	
Non-oil/gas	11.2	13.0	15.1	23.2		12.2	14.5	15.4	18.2	
Oil/gas	7.5	7.3	7.5	8.7		7.6	9.2	12.7	11.0	
Imports	-13.8	-15.3	-17.1	-24.3		-14.3	-17.4	-23.0	-24.4	
Services	-6.8	-7.4	-7.7	-8.1		-7.4	-8.1	-8.8	-9.2	
Official Inflow	5.1	6.4	6.3	5.8		6.6	5.5	5.0	5.4	
Debt Repayments	-3.9	-4.1	-4.4	-4.4		-3.8	-3.7	-4.1	-4.4	
3. Government Finance (Rp tril)										
Domestic revenues										
Oil/gas	8.9	7.9	9.1	11.8		9.5	11.2	10.7	15.0	
Non-oil/gas	12.9	17.4	20.3	37.1		13.5	17.5	20.8	25.2	
Total	21.8	25.2	29.4	48.9		23.0	28.7	31.5	40.2	
Routine Expenditures	20.1	23.4	24.8	30.0		20.7	24.3	26.6	30.6	
Public Savings	1.7	1.8	4.6	18.9		2.3	4.4	4.9	9.6	
foreign Aid	7.2	11.3	11.6	12.7		10.0	9.4	11.3	10.4	
Development Funds	8.9	13.1	16.2	31.6		12.3	13.8	16.2	20.0	

Sources: BAPPENAS, Repelita V.
 BPS, National Income of Indonesia 1984-89.
 BPS, National Income of Indonesia 1985-90 (Provisional).
 Bank Indonesia, Annual Report 1989/1990.

Remarks: (1) GDP is measured on the calendar year basis at 1983 constant prices.
 (2) A.G.R in "realization" is calculated in the period of 1988-90.
 (3) Debt repayments show only the principal.
 (4) Government finance of 1990/91 in the realization column exhibits annual budget.

Imports jumped from US\$ 17.4 billion in 1989/90, to US\$ 23.0 billion in 1990/91 and reached US\$ 24.4 billion in 1991/92. Non-oil /gas commodities such as capital and intermediate products were the main import items, reflecting domestic investment boom and robust domestic consumption. By category, intermediate products (industrial raw materials, and spare parts and accessories) accounted for around 75% of the total import amount, followed by capital products (20%) and consumer goods (5%). Thus, the annual growth rate of imports outpaced the rate of exports, thereby narrowing trade surplus below US\$ 5 billion in 1991/92.

(4) Current Account

With the above trade balance and slight increase in the balance of services combined, the current account deficit which posted minus (-) US\$ 1.6 billion in 1989/90, expanded to minus (-) US\$ 3.5 billion in 1990/91 and further minus (-) US\$ 4.4 billion in 1991/92.

Government debt repayments excluding interest increased from US\$ 3.7 billion in 1989/90 to US\$ 4.4 billion in 1991/92 (US\$ 7.1 billion including interest). The DSR for official foreign debt, which peaked at 31.9% in 1988/89, decreased to 24.6% in 1990/91 and is expected to be 24.3% in 1991/92. This reduction met the target of Repelita V in which DSR was planned to reduce below 25% level.

(5) Government Finance

The Government revenue comprising domestic revenue and development receipt or foreign aid steadily increased from Rp. 33.0 trillion in 1988/89 to Rp. 50.6 trillion in 1991/92 (17.9% over the previous year). These rapid increases in revenue are largely attributed to sharp expansion in non-oil/gas receipts such as taxes and duties. Non-oil/gas receipts recently accounted for more than 60% of the domestic revenue. The Government revenue in 1992/93, however, was budgeted at Rp. 56.1 trillion (domestic revenue of Rp. 46.5 trillion and development receipt of Rp. 9.6 trillion) with an annual increase of 11% over the previous year. This rather austere budget reflects unfavorable economic environments surrounding Indonesia, such as deficit of balance of payments, mounting external debts, and sagging oil/gas revenue, etc.

On the expenditure side, relatively modest budget was realized in contrast with high outturn of the domestic revenue. Routine expenditure standing at Rp. 20.7 trillion in 1988/89, increased to Rp. 26.6 trillion in 1990/91 (9.5% over the previous year), and Rp. 30.6 trillion in 1991/92 (14.7%). The routine expenditure for 1992/93 was budgeted at Rp. 33.2 trillion, 8.6% higher than the previous year. Among the routine expenditure, foreign debt repayment including interest reached Rp. 14.1 trillion in 1991/92, and Rp. 15.6 trillion in 1992/93 which nearly accounted for 50% of the total routine expenditure.

On the development funds comprising development receipt (foreign aid) and government savings, development expenditure increased from Rp. 12.3 trillion in 1988/89 to Rp. 20.0 trillion (23.3% over the previous year) in 1991/92, and was budgeted at Rp. 22.9 trillion (14.6%) in 1992/93. The development receipt or foreign aid was held almost constant at around Rp. 10 trillion; Rp. 11.3 trillion in 1990/91, Rp. 10.4 trillion in 1991/92 and Rp. 9.6 trillion in 1992/93. This lower outturn of the foreign aid in development expenditure was intended to reduce the share of the foreign aid or dependence on the external sources. The share of foreign aid to the development fund drastically dropped from 81.5% in 1988/89 to 51.9% in 1991/92, and was estimated at 41.9% in 1992/93.

2.2.4 Urgent Issues

Recent developments in Indonesia have highlighted a few issues as being the most serious or urgent. Those issues include poverty, employment, environment, and provincial spatial planning.

(1) Poverty

Poverty has become an even more pressing problem as the nation sets its course for the new era of prosperity. Destitute population in urban slums or remote locations are virtually denied any chance of participating in and benefiting from economic development. Thus, poverty alleviation is strongly called for not only from the equity point of view but also to involve the entire population in the dynamic process of national development. In view of this, the Indonesian government in 1987 initiated a program known as the Integrated Area Development Program or PKT (Pengembangan Kawasan Terpadu), which is particularly aimed at poverty alleviation in selected rural areas nationwide.

(2) Employment and Business Opportunity

Providing remunerative employment is one of the urgent aspects Indonesia faces today. The issue of employment has gained its particular attention in Repelita V because of the rapidly growing labor force. During the five years, an estimated 11.9 million new entrants will be added to the labor market that already abounds with the unemployed and underemployed. To attain this, it is intended that the industrial sector is expected to create some 2.3 million new jobs following the agricultural sector of 4.0 million in Repelita V. Thus, manpower policies aims to enhance diversification and improvement of business environment and facilitate rapid expansion of private enterprises.

(3) Environment

Concern with the environment is another priority issue addressed in Repelita V. The issue in fact has numerous aspects, but the most common and serious concern perhaps stems from how to manage and sustain forest resources (either in the mountains, plains or lowland swamps). With this respect, the problem of the Kerinci Seblat National Park in Southern Sumatra typifies the complexity and difficulty involved in environmental conflicts.

(4) Provincial Spatial Planning

Provincial spatial planning is an entirely new approach in Indonesian planning practice, which has long been dominated by sectoral planning. Starting in 1990/91, the Ministry of Public Works has prepared a spatial plan or RSTRP (Rencana Struktur Tata Ruang Propinsi) for all 27 provinces. To provide this new practice with a legal footing, law on spatial planning passed the House of Representatives in September 1991 and was enacted in October 1992 as Undang-Undang Republik Indonesia Nomor 24 Tahun 1992.

2.2.5 Potentials and Constraints of the Region

The Region is endowed with a variety of comparative advantages and high potentials, which still remain under-exploited. They are enumerated as follows:

- 1) Geographic advantage, situated in the middle of the development axis between Java or Jakarta, a center of the national economy to the south, and Medan, the most promising growth center in Sumatra to the north;
- 2) Abundant natural resources such as land and water resources for agricultural development;
- 3) Abundant mineral and energy resources such as coal and natural gas in addition to oil for alternative energy sources;
- 4) A variety of export-oriented agricultural commodities (rubber, palm oil, coffee, and pepper);

- 5) Relatively well-developed basic infrastructures (irrigation, arterial roads, and railways) and urban system;
- 6) Proximity to the "growth triangle" consisting of Batam, Singapore and Johor and neighboring countries; and
- 7) A variety of tourism attractions (marine resort, highland resort and natural-cultural-historical resort);

On the other hand, the Region has several constraints to be solved or improved in order for the Region to make the best use of its advantages and potentials. Among them:

- 1) Relatively weak inter-provincial economic linkage (rather stronger tie with Java);
- 2) Large income disparities between provinces and within provinces (urban vs. rural);
- 3) Disruption of environment (slash-and-burn cultivation, timber logging and agricultural encroachment) and degradation of environmental quality (industrial waste, domestic waste, and water and air pollution);
- 4) Lack of supportive infrastructure (ports, rural and feeder roads, telecommunications);
- 5) Shortage of human resources (quantity and quality) and educational facilities;
- 6) Weak administrative foundation of regional autonomy (institution, finance, and authority); and
- 7) Lack of marketing (facilities, distribution system, and information), technology, and technological and technical development facilities (R & D institute, training center, vocational school, etc.).

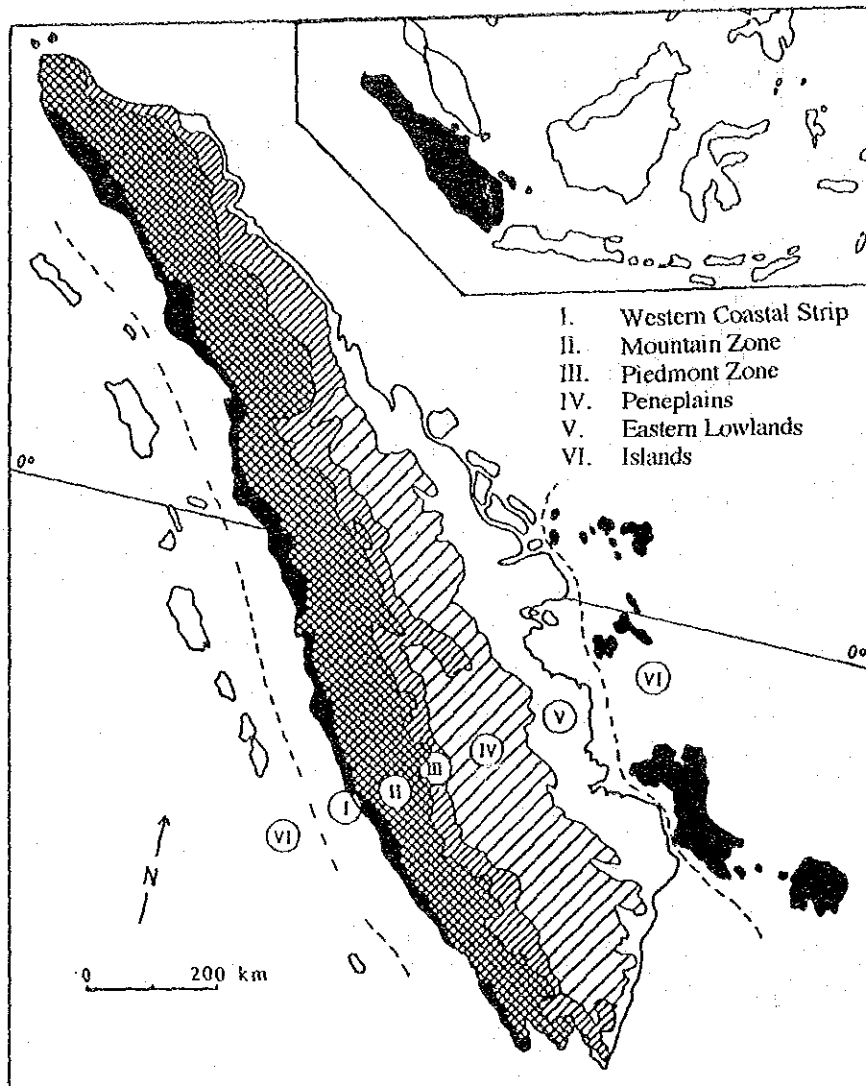
2.3 THE REGION AND THE PROVINCES

2.3.1 The Region: Background

(1) Natural, Physical Conditions

The Region as defined in this Study consists of the following four provinces: Jambi, South Sumatra, Bengkulu and Lampung. Located northwest of the island of Java, it extends about 700 km from Jambi--West Sumatra border (1°S) to Bakauheni (6°S), the ferry port on the southernmost tip of the island of Sumatra. The Region's land area totals about 218,000 km², accounting for about 46% of the island of Sumatra and 11% of Indonesia's national land. Almost the whole Region belongs to the equatorial, humid tropics, characterized by high and constant temperature throughout the year and heavy rainfall ranging from 1,500 to 5,500 mm annually.

Geologically, the Region can be divided into six distinct zones (Figure 2.3.1): (i) western coastal strip, (ii) mountain zone or highlands in the Barisan range, (iii) piedmont zone or eastern slopes, (iv) peneplains, (v) eastern lowlands, and (vi) islands (Enggano, Bangka, Belitung, etc.). Relief and soils have historically been the most significant determinants of agricultural and settlement patterns in the Region, and the above zoning still is highly relevant to the development planning of the Region. Soil types more or less correspond to those zones:



Source: Adapted from Ulrich Scholz, The Natural Regions of Sumatra and Their Agricultural Production Pattern (Bogor, 1983)

Figure 2.3.1 Six Natural Zones in Sumatra

while fertile andosols are only found in highlands, red-yellow podsollic soils cover most of the peneplains and peat soils spread over the eastern lowlands (Figure 2.3.2).

Sumatra straddles the tectonic fault line marking the collision zone between two of the earth's main crustal plates (Indian plate and Asian plate). According to a tectonic theory, the denser Indian plate is gradually forced down beneath a lighter but more rigid Asian plate (Sunda shield) causing at the zone of contact the tectonic stresses that are relieved periodically in the form of volcanic activity, earthquakes, landslides, etc. The Barisan range, a geanticline stretching along the island's entire length, is a direct consequence of this tectonic movement. The highest parts of these mountains now lie at more than 2,000 m (some peaks reaching over 3,000 m) and a series of fault-bounded rift valleys, separated with numerous dormant and active volcanoes, run parallel with the range. Thick ash deposits from these volcanoes have covered extensive parts of the mountains and in general have been found suitable for settlement and farming. Thus, coupled with the cool climate, those highlands were in fact among the places highly favored by the earliest inhabitants on Sumatra. This historical background can be easily seen particularly in the rift valleys where population density is relatively high with extensive agricultural production. However, the mountains are geologically unstable and, thus, the areas along the range are highly susceptible to environmental hazards like volcanic eruption, earthquakes, tsunamis and landslides. In contrast, the low-lying plains, largely on the east coast, are prone to chronic flooding (Figures 2.3.3 and 2.3.4). Development efforts in the Region, construction works in particular, must therefore take these geological aspects into full consideration.

The dominant feature of vegetation has been and is tropical rain forest. The coverage, however, is reducing fast due to human activities such as new settlements, slash-and-burn cultivation, timber logging and plantation. Some areas have even turned into erosion-prone critical land. Major mineral resources found in the Region include: tin, gold, limestone, marble, andesite, granite, kaolin, coal, oil and natural gas. Coal deposits are particularly large in the Region.

(2) Social and Cultural Background

1) Historical Themes

Some common historical patterns have marked the development of the Region under study. First, the Region is characterised by social diversity. Over 40 traditional ethnic groups have a range of languages (predominantly Melayu), customs, descent and belief systems. These groups moved around the Region in response to population pressures and agricultural demands, but group populations were small. Most rural people lived in self-sufficient, decentralised villages, based on clan and lineage structures, with hereditary leaders and elders determined according to *adat*¹ (customary law). Most groups were swidden cultivators using forest resources, many with tree crops. Small groups of hunter-gatherers and of fishing people existed.

Second, trading cities generally exerted minimal influence over the hinterland. The kingdom of Sriwijaya (located at modern Palembang) was a cosmopolitan 7th-12th century inter-island trading centre. Subsequently, the Sultanates of Palembang, Jambi and Banten (West Java) competed, at various times, for trading influence in the region, with increasing rivalry between the growing Dutch and English interests from the 17th century onwards. At stake were the lucrative pepper and, later, coffee monopolies, and the trade in gold. The spread of Islam was linked to the expansion of commodity production (especially coffee) and trading, as local communities became increasingly exposed to international networks. Most

¹ i) Custom, traditional social and cultural systems and behavior; ii) Customary law, for example, relating to land use and land ownership.

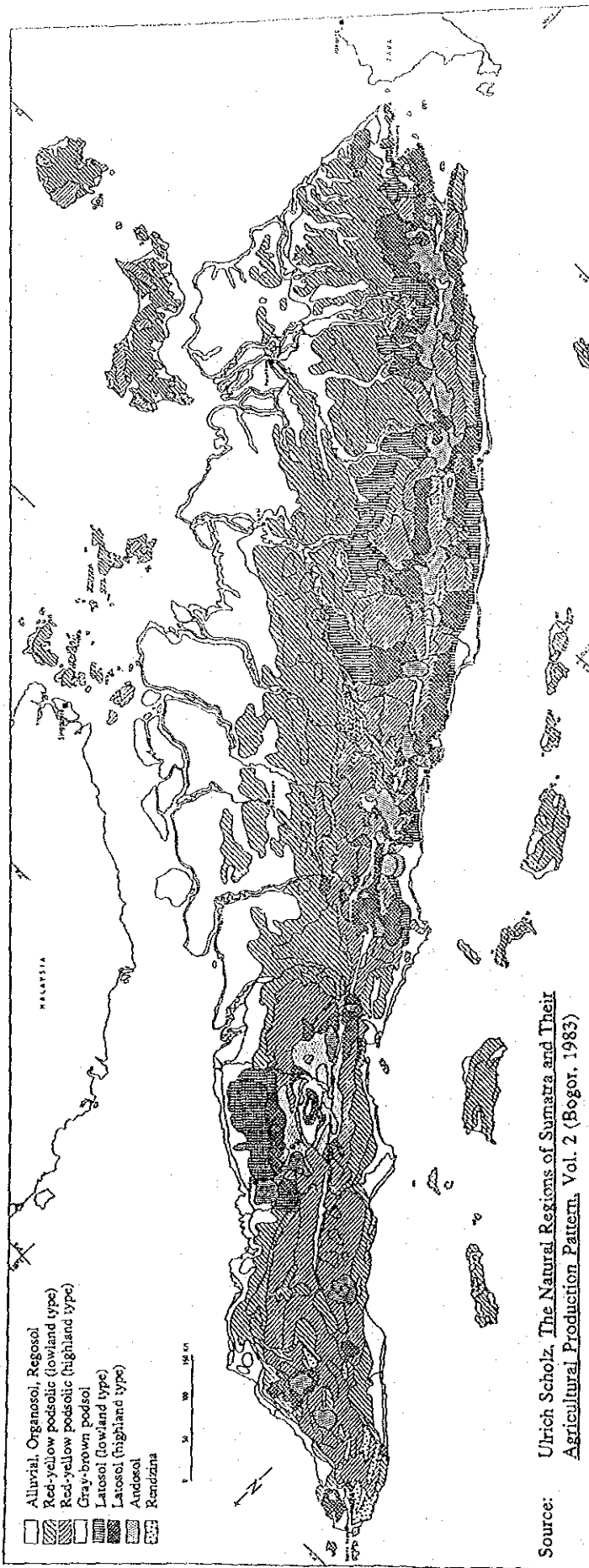


Figure 2.3.2 Soil Types of Sumatra

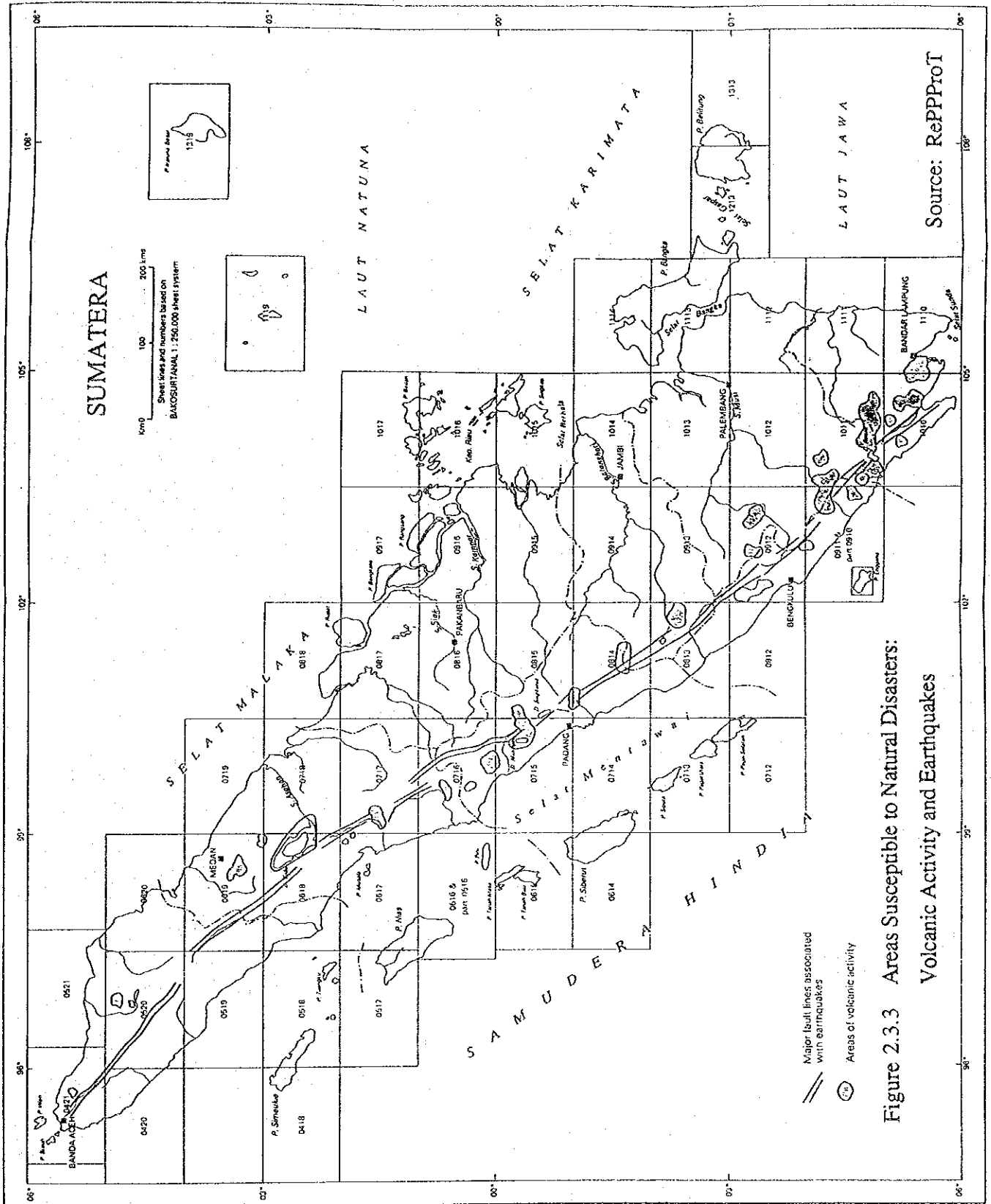


Figure 2.3.3 Areas Susceptible to Natural Disasters:
 Volcanic Activity and Earthquakes

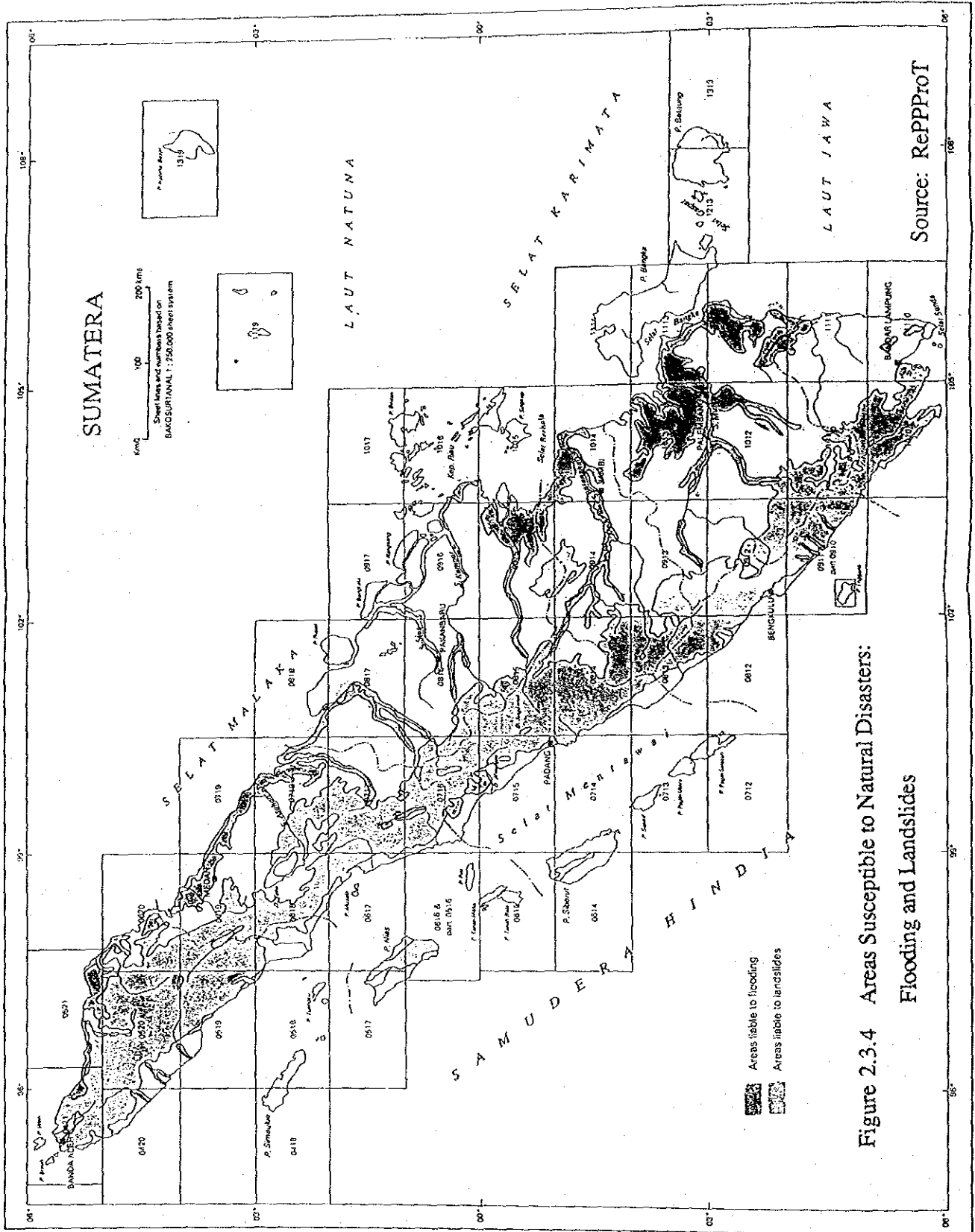


Figure 2.3.4 Areas Susceptible to Natural Disasters:
Flooding and Landslides

original inhabitants had adopted Islam by the early 20th century, but *adat* has survived in custom and ceremony.

Third, growing Dutch control over trade led to periodic uprisings from local leaders, for example Raden Intan in Lampung, and the Sultans of Palembang and Jambi. The Dutch formally annexed Lampung in 1856, Palembang in 1880, and Jambi in 1905. The English nominally "governed" Bengkulu from 1685 to 1824 when it was handed to the Dutch in exchange for the Straits Settlements.

Fourth, Dutch colonial administrative systems were not consolidated until the late 19th and early 20th centuries. The Dutch used both their own interpretation of *adat* and Dutch law in their legal and administrative systems. Variants of the *adat marga*² organisational unit were used as a basis for indirect Dutch rule through the Region, thereby redefining traditional genealogical concepts as territorial units. *Marga* had the power to raise revenue and expend funds.

2) The Region Since Independence

Since Independence four provinces have been formed: South Sumatra (1949); Jambi (1960); Lampung (1964); and Bengkulu (1968) with the development of Provincial (Level I) and Kabupaten (Level II) government structures. The traditional *marga* entities were replaced in 1979 by the new, smaller village structures (*desa*³ and *kelurahan*), which involved closer central government control and the creation of LKMD⁴ structures at village level. Their number has increased due to rapid population growth, transmigration and urbanisation. Some LPSM and LSM groups undertake community work, but in general these groups are not well developed.

3) Migration

Regional population movements are centuries old. The trading cities had Chinese, Arab, Persian and Indian quarters. Bantenese, Minangkabau, Banjarese, Bajau and Buginese migrants arrived. Chinese groups spread in trading centres and on Bangka and Belitung in response to tin mining opportunities during the colonial period. Rural-urban migration is of long standing, and can be seasonal or permanent. Post-Independence, the Region's towns and cities have grown rapidly.

The Dutch Government initiated a transmigration program to Lampung in 1905 to raise Javanese welfare and relieve population pressures. Continued into the post-Independence period this program, together with spontaneous transmigration, has had profound impacts upon the Region, especially on Lampung. Since 1980, local transmigration programs within each province have commenced to protect the environment, control spontaneous migration and restore balance in the Regional economy. Lampung is a migration gateway for largescale movement of people from Java and Bali into the Region, and Sumatra as a whole.

4) Socio-Cultural Dimensions of Settlement Patterns

Traditionally, settlement followed a linear pattern along the waterways -- rivers and coastline -- which allowed the movement of people and goods. The trading centres of Jambi and Palembang were strategically located on the Batang Hari and Musi waterways

2 A term originally meaning a clan or lineage. Used from the colonial period until 1979 in Southern Sumatra to describe a territorial, administrative unit comprising clusters of communities.

3 A village, generally located in a rural area.

4 Lembaga Ketahanan Masyarakat Desa or Village Public Security Council.

respectively, allowing access to both the hinterland and sea. The hinterlands were largely forested, with scattered swidden gardens.

Under Dutch colonialism the spatial patterns of transport and settlement were influenced by the demands of commodity extraction, with new roads and railway systems opening up hitherto remote lands. This led to increasing penetration of the cash economy, for example in Jambi with the spread of small-holder rubber cultivation into subsistence areas. These patterns have been consolidated and extended in the post-Independence period, stimulated also by rapid population growth. The impact on land use has been great, with rapid diversification of agricultural patterns and loss of forests. Some communities, however, remain isolated. In Jambi and South Sumatra especially many communities depend on the waterways for access. In 1983 around 20 per cent of villages lacked all-weather access (IFAD 1988).

Settlement patterns are influenced by socio-cultural perceptions, including traditional landholding systems, labour supply, ceremonial needs, as well as ecological niche. This results in great diversity and specificity of landuse systems. For example, many groups of original inhabitants have sophisticated swidden/tree crop systems which are geared to low labour supply, environmental conditions and produce cash. The animist **Anak Dalam** (Kubu) exploit an ecological niche which is based on the collection and sale of forest products, supplemented by some swidden agriculture. Banjarese **pasang surut** tidal swamp reclamation methods have produced productive coconut plantations. Similarly, Buginese migrants along Sumatra's east coast drain and cultivate swamp lands, complemented by aquaculture and trading activities. Transmigrants from Java and Bali prefer **sawah**⁵ cultivation, with the development of pockets of "little Java" in agricultural and social terms. Other groups have adopted urban-based socio-economic areas of specialisation: for example the Chinese role in enterprise and trading; the Minangkabau **merantau**⁶ pattern and roles in trading, transport and the civil service; the Batak role in trading and the civil service.

There is increasing competition for land and forest resources between traditional users, transmigrants, logging concessions and large estates. Social costs of environmental pressure are beginning to show, for example sedimentation and periodic flooding of river systems; shortages of fuelwood and building materials from deforestation; acidification from cultivating fragile swamp peat soils.

2.3.2 The Region's Economy

(1) Summary Description of Recent Development

Although Indonesia as a whole enjoyed rapid booming of the domestic investment stimulated by the foreign direct investment since late 1980s, such a remarkable investment did not reach the Region. However, it is recently reported that some foreign food processing firms were into operation in the south of Lampung province, aiming at the huge market potential in Jakarta. It might take a little time until substantial investments come to the Region.

South Sumatra, which is only endowed with abundant mineral resources in the Region, recently produces less than 4 million tons of coal, around 33 million bbl of oil and 160 billion cf natural gas. Out of this production, more than 90% of coal and whole oil which is refined at Palembang, are being used for domestic consumption. Meanwhile, natural gas produced in South Sumatra is entirely utilized at Pertamina and fertilizer plants of PUSRI which is the largest fertilizer manufacturer in Indonesia, sharing around 40% of the total output in the country. Bengkulu produces around 0.8 million tons of coal, all of which are directly exported.

⁵ Wet rice cultivation.

⁶ To leave one's own region to make a living elsewhere.

With respect to export, the Region gained its share from 4.5% in 1984 to 7.5% in 1988 for the nation, with an average growth of 8.1% per annum. A high annual growth was markedly recorded in Jambi (14.1% per annum) and Lampung (12.1%) in 1984-88. By commodity, non-oil/gas products mainly from plantation such as rubber, coffee, and pepper were the major items. As for mineral resources export, tin from South Sumatra and coal from Bengkulu were the main commodities recently.

As far as the trade partners are concerned, commodities have been exported to Singapore, where most of them are transshipped to the final destinations such as Japan, U.S.A., and other Asian countries. This tendency or trade linkage with Singapore in terms of export has become stronger and more significant since the late 1980s.

(2) Population and Its Spatial Distribution

Table 2.3.1 lists the key indicators of the Southern Part of Sumatra. According to the national population census 1990, the population of the Region was 15.5 million, 8.7% of the national total, distributing 2.0 million in Jambi (13.0%), 6.3 million in South Sumatra (40.6%), 1.2 million in Bengkulu (7.6%) and 6.0 million in Lampung (38.8%). The population growth of the Region was 3.32% per annum in 1961-71, 4.46% in 1971-80, and 3.04% in 1980-90, which was distinguishably higher than the national figures: 2.10%, 2.32% and 1.97%, in the respective period.

By province, the population of Jambi, which accounted for around 13% of the Region in the past decades, grew more than 3% per annum except in 1971-80 in which the average annual rate peaked at 4.07%. The population of South Sumatra and Bengkulu has been steadily growing since 1970, recording more than 3% and 4%, respectively. On the other hand, Lampung's population, which had increased more than 5% per annum in the 1960s and 70s, was leveled off to 2.65% in the 1980s.

In spite of the high population growth in the past decades, the population density of the Region as a whole was 71.3 head/km² in 1990. This figure is considerably low, compared with the national data of 93.4 head/km². Three provinces other than Lampung recorded low densities: 37.8 head/km² in Jambi, 57.8 head/km² in South Sumatra, and 59.6 head/km² in Bengkulu, while the population density of Lampung (170.1 head/km²) was more than twice larger than the Region's average. Table 2.3.2 shows the population, annual growth and densities of the Region.

High population growth implies the constant inflow of the transmigrants (official and spontaneous) into the Region. Although Lampung province discontinued the general transmigration in 1979, as seen in the sharp decline of the population growth in the 1980s, the Region's high population growth was still attributable to the continuous inflow of the transmigrants into the other three provinces. Such transmigrants have been recently guided to settle along the trans-Sumatra highway, which constitutes one of the national development axes from Java through Sumatra.

(3) Production and Its Sectoral and Spatial Distribution

Gross Domestic Product (GDP) of the Region amounted to Rp 12,053 billion in 1989, accounting for 7.2% of the national GDP of Rp 166,330 billion. The Region's share to the nation remained unchanged in 1983-89. With oil/gas, GDP of South Sumatra, which is the larger oil/gas producer in the Region, amounted to Rp 7,180 billion in 1989 or around 60% of the Region's GDP, followed by Lampung (Rp 2,839 billion or 23.4%), Jambi (Rp 1,352 billion or 11.3%), and Bengkulu (Rp 682 billion or 5.1%). Without oil/gas, total GDP turned out to be Rp 10,378 billion, since GDP of South Sumatra diminished to Rp 5,575 billion.

Table 2.3.1 Key Indicators of the Southern Part of Sumatra

Indicator	Jambi	S.Sumatra	Bengkulu	Lampung	Region	Indonesia
1. land area(km ²)	53,436	109,254	19,789	35,377	217,856	1,919,433
2. Population (x 1000,1990)						
Urban	433	1,852	240	745	3,270	55,460
Rural	1,583	4,459	939	5,261	12,242	123,862
Total	2,016	6,311	1,179	6,006	15,512	179,322
3. Population growth rate (%,1980-90)	3.38	3.09	4.38	2.65	3.04	1.97
4. GDP (with oil/gas) (Rp billion) (1989 current prices)	1,352	7,180	682	2,839	12,053 (7.2)	166,330 (100.0)
Primary	429 (31.7)	1,331 (18.5)	253 (37.1)	1,231 (43.4)	3,244 (26.9)	38,998 (23.4)
Secondary	422 (31.2)	3,398 (47.3)	115 (16.8)	412 (14.5)	4,347 (36.1)	61,187 (36.8)
Tertiary	501 (37.1)	2,451 (34.2)	314 (46.1)	1,196 (42.1)	4,462 (37.0)	66,145 (39.8)
5. GDP per capita (with oil/gas) (Rp million)	0.69	1.18	0.6	0.48	0.81	0.94
6. GDP (without oil/gas) (Rp billion) (1989 current prices)	1,352	5,575	682	2,839	10,448 (7.4)	141,448 (100.0)
Primary	429 (31.7)	1,331 (23.9)	253 (37.1)	1,231 (43.4)	3,244 (31.1)	38,998 (27.6)
Secondary	422 (31.2)	1,793 (32.1)	115 (16.8)	412 (14.5)	2,742 (26.2)	36,305 (25.7)
Tertiary	501 (37.1)	2,451 (44.0)	314 (46.1)	1,196 (42.1)	4,462 (42.7)	66,145 (46.8)
7. GDP per capita (without oil/gas) (Rp million)	0.69	0.92	0.6	0.48	0.7	0.8

Source : 1. Dalam Angka 1989 of each province

2,3. BPS, Statistical Year Book of Indonesia 1990; Population Census 1990

4,5,6,7. BPS, National Income of Indonesia 1984-89;
Provincial Income of each province 1989

Note : 1. GDP per capita was calculated on the basis of the population in 1989, interpolated with the population census 1980 and 1990.

2. GDP without oil/gas in Indonesia was estimated by subtracting oil/gas related values from GDP with oil/gas.

Table 2.3.2 Population, Annual Growth Rates and Densities

Province	Land Area (sq.km)	Number of Population (000)			Annual Growth Rate (%)			Population Density in 1990 (Pop/sq.km)
		1971	1980	1990	61-71	71-80	80-90	
Jambi	53,436 (24.5)	1,006 (13.0)	1,446 (12.6)	2,016 (13.0)	3.09	4.07	3.38	37.7
South Sumatra	109,254 (50.1)	3,441 (44.4)	4,630 (40.4)	6,277 (40.6)	2.20	3.32	3.09	57.5
Bengkulu	19,789 (9.1)	519 (6.7)	768 (6.7)	1,179 (7.6)	2.51	4.39	4.38	59.6
Lampung	35,377 (16.2)	2,777 (35.9)	4,625 (40.3)	6,006 (38.8)	5.29	5.77	2.65	169.8
Total	217,856 (100.0)	7,743 (100.0)	11,469 (100.0)	15,478 (100.0)	3.32	4.46	3.04	71.0

Source : BPS, Population Census 1990

BPS, Statistical Year Book of Indonesia 1990

Note : (1) Including persons with no residence.

(2) Figures in parentheses indicate percentage distribution.

Table 2.3.3 Gross Domestic Product, Average Growth Rate and GDP Per Capita

(Constant 1983 Prices)

Province/ Sector	Gross Domestic Product (Rp billion)							Annual Growth Rate (%) 1983-89	GDP per Capita in 1989 (Rp million)
	1983	1984	1985	1986	1987	1988	1989		
Jambi	530.8	559.9	600.0	639.0	716.8	842.7	887.6	8.95	0.45
Primary	202.1	212.8	218.6	229.1	247.3	263.2	274.0	5.20	
Secondary	113.8	126.1	149.6	155.7	200.1	282.0	305.6	17.89	
Tertiary	214.9	221.0	231.9	254.2	269.4	297.4	308.1	6.19	
South Sumatra	3,437.6	3,856.8	4,051.0	4,249.4	4,247.8	4,509.6	4,833.2	5.84	0.79
Primary	674.2	718.1	752.2	785.6	809.7	841.6	884.5	4.63	
Secondary	1,653.0	1,956.3	2,057.0	2,145.8	2,037.8	2,156.2	2,327.7	5.87	
Tertiary	1,110.4	1,182.4	1,241.8	1,318.0	1,400.4	1,511.8	1,621.0	6.51	
Bengkulu	260.9	278.4	299.8	331.9	357.2	393.4	422.2	8.35	0.37
Primary	123.4	129.1	131.1	151.1	163.6	166.3	170.4	5.53	
Secondary	28.7	28.7	38.3	37.2	39.8	60.1	72.7	16.79	
Tertiary	108.9	120.6	130.4	143.6	153.9	167.0	179.1	8.64	
Lampung	1,064.9	1,192.2	1,269.7	1,382.7	1,527.7	1,655.7	1,776.7	8.91	0.30
Primary	475.8	543.2	572.6	629.4	708.7	753.9	796.3	8.96	
Secondary	143.2	161.2	180.7	189.5	198.5	231.5	248.8	9.64	
Tertiary	445.8	487.7	516.4	563.9	620.5	670.3	731.6	8.60	
Region	5,294.2	5,887.2	6,220.5	6,603.1	6,849.5	7,401.4	7,919.6	6.94	0.53
Primary	1,475.5	1,603.3	1,674.5	1,795.1	1,929.3	2,025.1	2,125.2	6.27	
Secondary	1,938.8	2,272.3	2,425.5	2,528.2	2,476.1	2,729.8	2,954.7	7.28	
Tertiary	1,880.0	2,011.7	2,120.5	2,279.7	2,444.2	2,646.5	2,839.7	7.12	
Nation	77,676.3	83,037.4	85,081.9	90,080.5	94,517.8	99,936.0	107,321.1	5.54	0.61
Primary	17,696.2	18,512.6	19,300.0	19,799.1	20,223.5	21,168.0	22,085.7	3.76	
Secondary	31,000.0	33,592.7	33,418.9	35,595.7	37,403.7	39,334.2	42,440.9	5.37	
Tertiary	28,980.1	30,932.1	32,363.0	34,685.7	36,890.6	39,433.8	42,794.5	6.71	

Province/ Sector	Gross Domestic Product (Rp billion)							Annual Growth Rate (%) 1983-89	GDP per Capita in 1989 (Rp million)
	1983	1984	1985	1986	1987	1988	1989		
Jambi	530.8	559.9	600.0	639.0	716.8	842.7	887.6	8.95	0.45
Primary	202.1	212.8	218.6	229.1	247.3	263.2	274.0	5.20	
Secondary	113.8	126.1	149.6	155.7	200.1	282.0	305.6	17.89	
Tertiary	214.9	221.0	231.9	254.2	269.4	297.4	308.1	6.19	
South Sumatra	2,554.8	2,642.6	2,760.2	2,941.6	3,141.1	3,398.0	3,677.6	6.26	0.60
Primary	674.2	718.1	752.2	785.6	809.7	841.6	884.5	4.63	
Secondary	770.2	742.1	766.2	838.0	931.1	1,044.6	1,172.1	7.25	
Tertiary	1,110.4	1,182.4	1,241.8	1,318.0	1,400.3	1,511.8	1,621.0	6.51	
Bengkulu	260.9	278.4	299.8	331.9	357.2	393.4	422.2	8.35	0.37
Primary	123.4	129.1	131.1	151.1	163.6	166.3	170.4	5.53	
Secondary	28.7	28.7	38.3	37.2	39.8	60.1	72.7	16.79	
Tertiary	108.9	120.6	130.4	143.6	153.8	167.0	179.1	8.64	
Lampung	1,064.9	1,192.2	1,269.7	1,382.7	1,527.7	1,655.7	1,776.7	8.91	0.30
Primary	475.8	543.2	572.6	629.4	708.7	753.9	796.3	8.96	
Secondary	143.2	161.2	180.7	189.5	198.5	231.5	248.8	9.64	
Tertiary	445.8	487.7	516.4	563.9	620.5	670.3	731.6	8.60	
Region	4,411.4	4,673.1	4,929.8	5,295.3	5,742.9	6,289.7	6,764.1	7.38	0.45
Primary	1,475.5	1,603.3	1,674.5	1,795.1	1,929.3	2,025.1	2,125.2	6.27	
Secondary	1,056.0	1,058.1	1,134.8	1,220.5	1,369.4	1,618.2	1,799.1	9.29	
Tertiary	1,880.0	2,011.7	2,120.5	2,279.7	2,444.1	2,646.5	2,839.7	7.12	
Nation	60,343.2	63,434.7	66,884.2	70,993.5	75,127.6	80,668.8	87,272.5	6.34	0.50
Primary	17,696.2	18,512.6	19,300.0	19,799.1	20,223.5	21,168.0	22,085.7	3.76	
Secondary	13,666.9	13,990.0	15,221.2	16,508.7	18,013.5	20,067.0	22,392.3	8.58	
Tertiary	28,980.1	30,932.1	32,363.0	34,685.7	36,890.6	39,433.8	42,794.5	6.71	

Source : BPS, Regional Income of Province Jambi, 1983-1989
 " South Sumatra, 1989
 " Bengkulu, 1983-1989
 " Lampung, 1983-1989

Remarks : (1) Each sector includes the following sectors.
 Primary : Agriculture, Forestry and Fishery.
 Secondary : Mining and Quarrying, Manufacturing and Construction.
 Tertiary : Utilities, Trade, Transport and Communication, Banking,
 and other services sectors.

(2) GDP per capita in 1989 is calculated on the basis of the provincial population in 1989, interpolated with the population census 1980 and 1990.

By the sectoral distribution with oil/gas, the primary sector which consists of agriculture, forestry and fisheries, amounted to Rp 3,244 billion or 26.9% share of the total GDP in 1989. The secondary sector, which comprises mining, manufacturing and construction, totaled Rp 4,347 billion (36.1%) and the tertiary sector of Rp 4,462 billion (37.0%). The sectoral growth of the total GDP was 6.27% per annum for the primary in 1983-89, 7.28% for the secondary and 7.12% for the tertiary sector, respectively (Table 2.3.4). Without oil/gas, GDP of the secondary sector reduced to Rp 2,742 billion, while the values for the primary and secondary sectors remained unchanged. Owing to this reduction of the value in the secondary sector, its share decreased to 26.2%, while the primary and tertiary sectors rose to 31.1% and 42.7%, respectively.

As measured at constant 1983 prices, the Region's GDP increased from Rp 5,294 billion in 1983 to Rp 7,920 billion in 1989, as shown in Table 2.3.3. The average growth of the Region's economy was 6.94% per annum in 1983-89. The share of South Sumatra declined from 65% in 1983 to 61% in 1989, while three other provinces slightly increased their shares.

With respect to the economic structure of each province, the primary sector has been dominant in Lampung, Jambi and Bengkulu. In particular, the primary sector in Lampung has accounted for around 45%, with almost no real structural change in 1983-89. In Bengkulu the share of the primary sector dropped from 47.3% in 1983 to 42.2% in 1988, leading to substantial gain in the secondary sector. On the other hand, South Sumatra has been characterized by the petroleum-oriented economy, in which the secondary sector accounted for nearly 50% of the provincial GDP.

Table 2.3.4 Repelita V Targets: GDP without Oil and Gas Annual Growth Rates 1989/90-93/94

Sector	Jambi	South Sumatra	Bengkulu	Lampung	Region	INDONESIA (%)
Agriculture	3.8	3.02	5.5	5.5	4.3	3.6
Mining and Quarrying	0.51)	7.50	10.4	8.0	7.8	0.41)
Manufacturing Industries	10.7	6.19	8.6	12.5	8.0	8.51)
Electricity, Gas and Water Supply	6.62)	5.40	5.22)	10.1	6.8	6.12)
Construction	6.4	4.60	6.0	6.1	5.1	6.0
Trade, Restaurant and Hotel	6.0	5.50	6.8	6.2	5.7	6.0
Transport and Communication	6.0	4.90	7.7	7.1	6.1	6.4
Banking and Other Financial Intermediaries	6.62)	-	5.22)	6.0	5.2	6.12)
Banking, Insurance and Other Services		5.30				
Ownership of Dwelling		3.02				
Public Administration and Services	6.62)	-	5.22)	7.2	5.7	6.12)
Public Administration and Defense		4.60				
Services		2.62				
Total	5.71)	5.00	6.0	6.6	5.6	5.01)

Notes: 1) includes oil and gas.
2) combined as "Others."

Sources: Jambi, South Sumatra and Lampung from each Provincial Repelita V.
Bengkulu from Repelita V, vol. IV.
Indonesia from Repelita V.
Region's figures are calculated by the Team using 1988 GDP data and above rates.

During Repelita V, each province intends to accomplish higher growth than the national figure of 5% per annum, as shown in Table 2.3.4: 5.7% in Jambi, 5.0% in South Sumatra, 6.0% in Bengkulu and 6.6% in Lampung. The annual growth rate of the Region comes to 5.6%. Among outstanding high growths over annual 10% are targeted for manufacturing (10.7%) in Jambi, mining and quarrying (10.4%) in Bengkulu, and manufacturing (12.5%) and utilities (10.1%) in Lampung. Meanwhile, South Sumatra

contemplates rather balanced growth in sector, varying from 2.6% in services to 7.5% in mining and quarrying.

(4) Per Capita GDP and Its Spatial Distribution

Per capita GDP of the Region was Rp 0.53 million with oil/gas in 1989 at constant 1983 prices, which was around 15% lower than the national level of Rp 0.61 million, as shown in Table 2.3.3. Within the Region, however, wide disparities in income level have been prevailing. Per capita GDP of South Sumatra reached Rp 0.79 million, nearly 50% larger than the Region's average. Meanwhile, per capita GDPs of three other provinces were fairly low: Rp 0.45 million in Jambi, Rp 0.37 million in Bengkulu, and Rp 0.30 million in Lampung. Without oil/gas, per capita GDP in the Region reduced to Rp 0.45 million in 1989 at the constant 1983 prices. In particular per capita GDP of South Sumatra diminished more than 20% to Rp 0.59 million, which was still 30% higher than the Region's average without oil/gas.

Real per capita GDP of the Region with oil/gas increased from Rp 0.42 million in 1983 to Rp 0.53 million in 1989 at constant 1983 prices. The average GDP growth was 3.26 % per annum in 1983-89, attributed to the vigorous expansion of the economy far exceeding the population growth as a whole. By province, real per capita GDP of South Sumatra increased to Rp 0.79 million in 1989, with the average growth of 2.58% per annum in 1983-89. On the other hand, per capita GDP of Jambi and Lampung grew at rather high rates: 5.18% of Jambi, and 5.89% of Lampung. GDP per capita without oil/gas in the Region was Rp 0.45 million in 1989 at constant 1983 prices. With a rapid increase of GDP in rather low income provinces and a modest increase in South Sumatra, the income disparities in the Region substantially narrowed. With this fact, the Region has successfully achieved to rectify the crucial regional income disparity to some extent during Repelita IV.

(5) Provincial Finance

Table 2.3.5 indicates provincial finance in the Region during the fiscal year 1984/85-1989/90. According to the data, revenues and expenditures of Jambi, South Sumatra, and Bengkulu sharply declined between 1984/85-1985/86, and recovered just in 1989/90 at the almost same level as 1984/85 budget. In spite of the sharp decrease in budget, the three provinces kept out of the red. This implies that the provincial governments' activities were stagnant during the period. Meanwhile, revenue and expenditure of Lampung grew remarkably at the rate of 15%-17% annually during the same period. Total development expenditure disbursed by the four provincial governments, which amounted to Rp 90 billion in 1989/90, was almost one-fourth of APBN (national budget) which flowed into the Region. From now on, it seems to be necessary to strengthen regional autonomy and decentralization in terms of finance. From the viewpoint of implementing regional development, administrative as well as financial aspects of local government are of strategic importance.

(6) Economic Linkage

The Region is situated in the middle of the development axis between Java (Jakarta), the national center to the south, and Medan, the most promising growth pole in Sumatra island to the north. Regarding the interregional linkage, the Regional economy as a whole has been linked with Java, which is the nation's largest marketplace. Particularly Lampung has traditionally stronger linkage with Java than three other provinces with its geographical advantage and this tendency will be getting much stronger considering the future potential linkage. Similarly Bangka and Belitung islands off South Sumatra have stronger linkage with Jakarta rather than their own province. The Region's linkage with the northern Sumatra has been almost negligible, except for strong linkage between Jambi and Padang, West Sumatra.

Table 2.3.5 Provincial Finance

(Unit: Rp million)

	Replita IV				Replita V	
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Jambi						
Revenue	42,681	27,133	26,396	25,893	30,842	37,062
Routine	25,707	10,614	12,355	12,966	14,454	16,221
Development	16,974	16,519	14,041	12,927	16,388	20,841
Expenditure	37,078	24,264	24,659	24,523	28,009	34,033
Routine	25,463	10,786	11,265	12,449	12,218	13,617
Development	11,615	13,478	13,394	12,074	15,791	20,416
Surplus/deficit	5,603	2,869	1,737	1,370	2,833	3,029
South Sumatra						
Revenue	89,605	65,471	69,074	70,262	76,264	88,517
Routine	67,801	39,767	45,269	43,200	53,385	54,931
Development	21,804	25,704	23,805	27,062	22,879	33,586
Expenditure	74,910	55,763	60,598	60,581	58,712	73,402
Routine	59,411	33,414	32,807	35,124	39,395	42,348
Development	15,499	22,349	27,791	25,457	19,317	31,054
Surplus/deficit	14,695	9,708	8,476	9,681	17,552	15,115
Bengkulu						
Revenue	29,327	22,566	21,933	22,470	26,646	29,271
Routine	17,053	9,358	10,732	11,977	12,567	13,640
Development	12,274	13,208	11,201	10,493	14,079	15,631
Expenditure	26,075	21,300	21,605	21,481	22,990	24,009
Routine	15,966	9,145	10,172	11,371	9,897	10,236
Development	10,109	12,155	11,433	10,110	13,093	13,773
Surplus/deficit	3,252	1,266	328	989	3,656	5,262
Lampung						
Revenue	60,084	82,892	94,358	99,031	112,983	133,780
Routine	48,093	69,617	84,013	88,222	94,623	113,586
Development	11,991	13,275	10,345	10,809	18,360	20,194
Expenditure	51,847	72,017	80,906	83,955	83,871	105,671
Routine	41,750	58,754	67,449	70,818	68,189	81,009
Development	10,097	13,263	13,457	13,137	15,682	24,662
Surplus/deficit	8,237	10,875	13,452	15,076	29,112	28,109
Region						
Revenue	221,697	198,062	211,761	217,656	246,735	288,630
Routine	158,654	129,356	152,369	156,365	175,029	198,378
Development	63,043	68,706	59,392	61,291	71,706	90,252
Expenditure	189,910	173,344	187,768	190,540	193,582	237,115
Routine	142,590	112,099	121,693	129,762	129,699	147,210
Development	47,320	61,245	66,075	60,778	63,883	89,905
Surplus/deficit	31,787	24,718	23,993	27,116	53,153	51,515

Source: BPS, State & Local Government Financial Statistics First Stage Region (Province), each year.

Regarding linkage with the growth triangle, at present the Region exports such commodities as unwrought tin, crumb rubber, wood products and plywood to Singapore, which is the second largest export partner for the Region. Other than the above, the Region has such a promising potential as supplying resources and energy to the growth triangle in the future. Although the Region has very little linkage with other parts of the country at present, its economic tie with them would much rely upon how the Region will be developed in the future.

On the other hand, intraregional linkage has been formed along major rivers, because of the fact that rivers have traditionally served as a means of transportation. Therefore, linkage within province or intraprovincial linkage has been much strong and still tends to be even today. This is exemplified by the strong linkage observed along the Batanghari river between Jambi and Padang, West Sumatra. Another example is seen in South Sumatra where most of coffee produced in the west mountainous zones of the province is transported to the provincial capital, Palembang.

Meanwhile, recent development or improvement of the transportation network connecting major cities between provinces makes interregional linkage much stronger than as it was before. However, this has yet to establish economic cohesion unifying or forming one economic zone over the four provinces.

(7) Infrastructure

Viewed nationally, the Region has comparatively better developed systems of infrastructure. This is especially the case with the road network. The trans-Sumatra highway passes through the middle of the Region and artery roads connecting Jambi, Palembang and Bengkulu to the highway are mostly in good condition. Other transport means are also relatively advanced: one railway system operates largely for coal transportation and the provincial capitals are all connected to Jakarta by daily flight services. Sea transport, however, poses a serious problem especially to the eastern coastal areas, where major existing ports are all river ports susceptible to sedimentation and water level fluctuation.

Some infrastructure, on the other hand, remains quite insufficient. Telephone services are grossly undersupplied both in urban and rural areas. Shortage in electricity has become so serious around Bandar Lampung that newly established factories have to build their own power plant, hereby further discouraging the development of a region-wide transmission network. Rural electrification is under way, but numerous small-scale units without interconnection could prove inadequate and very costly in the long run.

2.3.3 Trade and Private Investment in the Region

(1) Export in the Region

The four provinces, Jambi, South Sumatra, Bengkulu, and Lampung, have tried to promote exports in order to utilize regional potentials as much as possible, increase provincial income and realize high economic growth. This part briefly observes the present situation of exports in the Region.

The amount of exports in the Region as a whole basically shows upward trends for the last few years. According to Table 2.3.6, the export amount rose from US\$ 1,061 million in 1984 to US\$ 1,473 million in 1989, but after that it declined to US\$ 1,239 million in 1990. The average growth rate of exports was 2.62% per annum for the whole period of 1984-1990. The share of export amount against the Region's GDP in terms of Rupiah, which is fluctuating year by year, changed from 18.2% in 1984 to 16.9% in 1990. Concerning each province, Jambi, Bengkulu, and Lampung increased their export values from US\$ 138.5 million, US\$ 8.4 million, and US\$ 260.9 million in 1984 to US\$ 228.3 million, US\$ 9.9 million, and US\$ 364.5 million in 1990, and the annual average growth rate reached 8.69%,

2.78%, 5.73%, respectively. In case of South Sumatra, its export amount went up from US\$ 653.5 million in 1984 to US\$ 798.9 million in 1989, but it sharply went down to US\$ 636.4 million in 1990. Also, exports from some of the ports in the Region, especially Jambi city port and Muntok port, showed stagnant or downwards trends.

Table 2.3.7 shows the amount and share of exports by SITC group in the four provinces. Items categorized by SITC Code 0 to 4 covering food, crude materials, mineral fuels, etc. such as coffee robusta, pepper, cassava, shrimps (SITC Code = 0), rubber, tin, woods (SITC Code = 2), and coal (SITC Code = 3) accounted for approximately 60% of the total export amount in the Region in 1984 and 1990. Concerning the remaining items classified by SITC Code 5 to 9 covering chemical products, manufactured goods, and machinery, most of them are related to wood manufactures represented by plywood. Judging from these, main items of exports in the Region have been highly dependent on agro-based or natural resource-based commodities and products.

On the basis of Table 2.3.8, we can observe that the four provinces have been diversifying their exports in terms of country/area of destination. Jambi, South Sumatra, and Bengkulu dramatically decreased the share of Singapore in their exports from 63.0%, 29.6%, 38.1% in 1984 to 42.6%, 23.1%, and 27.6% in 1988, respectively. Bengkulu extends access to the western countries/areas such as Europe, India, and Bangladesh for its export market. In case of Lampung, it decreased the share of U.S.A. from 44.2% in 1984 to 23.6% in 1988 and increased those of Africa, West Germany, Europe, and the Netherlands.

Table 2.3.6 Export by Province and Port in the Region

	(Unit: US\$ million)							Ave. Annual Growth (%)
	1984	1985	1986	1987	1988	1989	1990	
Jambi	138.5	109.2	121.9	174.1	234.3	256.6	228.3	8.69
Jambi	103.3	72.0	74.3	95.0	135.7	136.8	93.0	-1.74
Muara Sabak	25.8	24.2	32.6	56.2	64.1	71.3	85.5	22.10
Others	9.4	13.0	15.0	22.9	34.5	48.5	49.8	32.03
South Sumatra	653.5	646.5	713.0	722.9	794.0	798.9	636.4	-0.44
Palembang	356.4	359.1	468.7	466.0	520.5	474.6	397.0	1.81
Muntok	266.4	240.7	148.8	149.0	176.8	249.0	157.7	-8.37
Others	30.7	46.7	95.5	107.9	96.7	75.3	81.7	17.72
Bengkulu	8.4	4.8	11.3	10.1	9.6	11.3	9.9	2.78
Bengkulu	7.9	4.8	11.3	10.1	9.6	11.3	9.9	3.83
Others	0.5	0.0	0.0	0.0	0.0	0.0	0.0	-
Lampung	260.9	274.5	373.2	311.2	413.6	406.0	364.5	5.73
Panjang	260.8	274.4	372.5	311.2	413.6	406.0	364.0	5.71
Others	0.1	0.1	0.7	0.0	0.0	0.0	0.5	30.77
Region	1,061.3	1,035.0	1,219.4	1,218.3	1,451.5	1,472.8	1,239.1	2.62
Indonesia	21,887.8	18,586.7	14,805.0	17,135.6	19,218.5	22,158.9	25,675.3	2.70

Source: Compiled from Indonesia Foreign Trade Statistics, each year.

Table 2.3.7 Export by SITC Group in the Region

SITC Code	(Unit: US\$ thousand)											
	Jambi		South Sumatra		Bengkulu		Lampung		Region		Indonesia	
	1984	1990	1984	1990	1984	1990	1984	1990	1984	1990	1984	1990
0	908 (0.7)	1,759 (0.8)	145,698 (22.3)	133,872 (21.0)	4,730 (56.1)	0	222,003 (85.1)	305,046 (83.7)	373,339 (35.2)	440,677 (35.6)	1,368,446 (6.3)	2,292,824 (8.9)
1	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	7 (0.0)	0 (0.0)	0 (0.0)	43,530 (0.2)	135,673 (0.5)
2	71,732 (51.8)	68,286 (29.9)	185,519 (28.4)	199,966 (31.4)	3,329 (39.5)	0	37,502 (14.4)	30,255 (8.3)	298,082 (28.1)	298,507 (24.1)	1,761,939 (8.0)	1,969,620 (7.7)
3	0 (0.0)	0 (0.0)	4,338 (0.7)	10,387 (1.6)	0 (0.0)	9,890 (100.0)	0 (0.0)	3,144 (0.9)	4,338 (0.4)	23,421 (1.9)	16,044,587 (73.3)	11,239,239 (43.8)
4	0 (0.0)	0 (0.0)	1 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	1 (0.0)	0 (0.0)	174,869 (0.8)	420,002 (1.6)
5	0 (0.0)	0 (0.0)	9,034 (1.4)	27,247 (4.3)	0 (0.0)	0 (0.0)	295 (0.1)	5,694 (1.6)	9,329 (0.9)	32,941 (2.7)	169,723 (0.8)	621,068 (2.4)
6	65,824 (47.5)	158,223 (69.3)	308,496 (47.2)	261,805 (41.1)	368 (4.4)	0	947 (0.4)	19,156 (5.3)	375,635 (35.4)	439,184 (35.4)	1,565,258 (7.2)	5,643,683 (22.0)
7	6 (0.0)	0 (0.0)	0 (0.0)	41 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	70 (0.0)	6 (0.0)	111 (0.0)	223,189 (1.0)	366,996 (1.4)
8	9 (0.0)	71 (0.0)	81 (0.0)	3,099 (0.5)	0 (0.0)	0 (0.0)	1 (0.0)	1,094 (0.3)	91 (0.0)	4,264 (0.3)	372,184 (1.7)	2,864,080 (11.2)
9	0 (0.0)	0 (0.0)	370 (0.1)	0 (0.0)	0 (0.0)	0 (0.0)	159 (0.1)	0 (0.0)	529 (0.0)	0 (0.0)	164,040 (0.7)	122,146 (0.5)
Total	138,479 (100)	228,339 (100)	653,537 (100)	636,417 (100)	8,427 (100)	9,890 (100)	260,907 (100)	364,466 (100)	1,061,350 (100)	1,239,112 (100)	21,887,765 (100)	25,675,331 (100)

Source: Calculated from Indonesia Foreign Trade Statistics, each year.

Note: SITC Code 0=food and live animals chiefly for food, 1=beverages and tobacco, 2=crude materials, inedible, except fuels, 3=mineral fuels, lubricants and related materials, 4=animal and vegetable oils, fats and waxes, 5=chemicals and related products, 6=manufactured goods classified chiefly by material, 7=machinery and transport equipment, 8=miscellaneous manufactured articles, 9=commodities and transactions not classified elsewhere in the SITC.

Table 2.3.8 Export by Country/Area of Destination

(Unit: US\$ thousand)

	1984			1988		
	Country/area	Export Amt.	Share (%)	Country/area	Export Amt.	Share (%)
Jambi	1 Singapore	87,256	(63.0)	Singapore	99,678	(42.6)
	2 U.S.A.	39,119	(28.2)	U.S.A.	55,823	(23.8)
	3 Thailand	4,213	(3.0)	Japan	22,520	(9.6)
	4 Europe	2,700	(1.9)	Europe	20,963	(8.9)
	5 Taiwan	1,768	(1.3)	China	9,113	(3.9)
	6 Others	3,424	(2.6)	Others	26,168	(11.2)
	Total	138,480	(100.0)		234,265	(100.0)
South Sumatra	1 Singapore	193,194	(29.6)	U.S.A.	214,621	(27.0)
	2 U.S.A.	155,114	(23.7)	Singapore	183,384	(23.1)
	3 Europe *	141,894	(21.7)	Japan	108,473	(13.7)
	4 Netherlands	86,464	(13.2)	Europe *	93,144	(11.7)
	5 Japan	35,842	(5.5)	Netherlands	52,055	(6.6)
	6 Others	41,030	(6.3)	Others	142,337	(17.9)
	Total	653,538	(100.0)		794,014	(100.0)
Bengkulu	1 Singapore	3,209	(38.1)	Singapore	2,648	(27.6)
	2 U.S.A.	2,093	(24.8)	Taiwan	2,568	(26.8)
	3 Australia	1,431	(17.0)	Europe	1,288	(13.4)
	4 Europe	844	(10.0)	Japan	1,209	(12.6)
	5 Japan	806	(9.6)	India/Bangladesh	825	(8.6)
	6 Africa	44	(0.5)	Others	1,060	(11.0)
	Total	8,427	(100.0)		9,598	(100.0)
Lampung	1 U.S.A.	115,186	(44.2)	U.S.A.	97,500	(23.6)
	2 Europe **	30,127	(11.5)	Africa	72,572	(17.2)
	3 Africa	29,722	(11.4)	West Germany	71,228	(17.6)
	4 West Germany	24,078	(9.2)	Europe **	51,806	(12.5)
	5 Netherlands	14,658	(5.6)	Netherlands	28,531	(6.9)
	6 Others	47,137	(18.1)	Others	91,953	(22.2)
	Total	260,908	(100.0)		413,590	(100.0)

Notes: * Europe does not include Netherlands.

** Europe does not include West Germany and Netherlands.

Source: Calculated from Indonesian Foreign Trade Statistics, each year.

(2) Private Investment in the Region

Each province in the Region has taken advantage of private investment as one of the most effective measures to expand the production and accelerate economic growth. This part follows recent trends of both domestic and foreign private investment in the Region.

Table 2.3.9 presents approved amount of domestic investment (PMDN) in the Region from 1984 to 1990. According to this Table, the total amount of approved domestic investment during 1984-1990 reached Rp. 7.7 trillion. The largest part of approvals was intended for the manufacturing sector, amounting to Rp. 3.9 trillion and accounting for 51% of the total approved PMDN for the same period. Other significant investment took place in the agriculture sector including forestry and fishery at a value of Rp. 3.3 trillion (42%). Out of the total approved amount in the Region, Rp. 3.3 trillion (43%) and Rp. 2.2 trillion (29%) went to South Sumatra and Lampung, respectively. In these two provinces, the share of investment intended for the manufacturing sector accounts for 53%-55% of the total approved PMDN. In contrast, in Bengkulu, the agriculture sector is by far the largest portion of its approved domestic investment. In Jambi, approved investment amount in the agriculture and the manufacturing sector are well balanced.

The approved amount of foreign direct investment (PMA) is extremely unstable year by year, compared with that of domestic investment. According to Table 2.3.10, the approved PMA in the Region amounted to US\$ 1,209 million for the period of 1984-1990, fluctuating from 0 in 1984, US \$ 920 million in 1988, and to US\$ 103 million in 1990. During the same period, out of the total approved amount, 82% was intended for the manufacturing sector, and the remaining 18% for the agriculture sector. Most of the approved investment were located in South Sumatra (85%) and Lampung (12%).

(3) Stimulating Export and Private Investment

Although the four provinces in the Region have tried to promote export and attract private investment so as to realize economic growth, the present situation as described above is not so satisfactory. Taking this into account, the Team presents some ideas on how to promote exports and induce private investment. However, we have to keep it in mind that export and investment policies are a responsibility of central government and not of provincial government.

1) Promoting Export

Each province has to expand the production of export commodities and products, utilizing regional specific potentials, in accordance with recommendations given by sectoral specialists of this Team and others. In addition to quantity, it is necessary to further process commodities and products in order to increase value added. Also, it is required to introduce or strengthen quality control of export items in order to produce commodities acceptable for the overseas market.

As is seen, the four provinces have already started diversifying commodities/products and country/area of destination. From now on, they have to further promote diversification in order to meet market needs and find out new customers, taking marketing into consideration. With regard to country/area of destination, the Region, especially Jambi and South Sumatra, has to consider possibilities of strengthening export channels to the growth triangle because of their proximity to the area.

In order to expand the production of commodities and link them smoothly to export facilities or foreign market, the four provinces have to consider building up and maintaining related infrastructure such as electricity, telecommunication, irrigation, transportation, and so on.

Table 2.3.9 Approved Domestic Investment into the Region

	(Unit: Rp. billion)							
	1984	1985	1986	1987	1988	1989	1990	1984 - 1990
Jambi	20.2	19.1	243.3	402.4	298.0	145.3	620.0	1,748.3
Agriculture	7.9	10.6	240.3	212.5	88.2	104.8	201.5	865.8
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	12.3	8.5	3.0	189.9	178.9	40.5	387.8	820.9
Services	0.0	0.0	0.0	0.0	30.9	0.0	30.7	61.6
South Sumatra	29.2	66.5	91.3	329.7	716.6	337.1	1,771.4	3,341.8
Agriculture	6.5	60.3	62.8	26.2	333.4	146.1	530.9	1,166.2
Mining	0.5	0.0	2.2	141.0	11.2	4.5	30.4	189.8
Manufacturing	22.2	0.0	25.1	139.3	366.7	155.2	1,144.3	1,852.8
Services	0.0	6.2	1.2	23.2	5.3	31.3	65.8	133.0
Bengkulu	4.7	69.8	46.7	82.2	34.0	78.2	79.4	395.0
Agriculture	0.0	69.8	38.0	65.8	28.2	55.8	52.1	309.7
Mining	0.0	0.0	8.7	0.0	0.0	0.0	6.6	15.3
Manufacturing	4.7	0.0	0.0	16.4	5.8	22.4	20.7	70.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lampung	26.5	71.2	116.7	152.7	464.7	489.4	891.2	2,212.4
Agriculture	0.2	46.1	8.9	53.7	134.2	157.3	510.6	911.0
Mining	0.0	0.0	1.0	3.3	27.1	0.0	12.4	43.8
Manufacturing	26.3	4.7	106.8	90.5	283.0	328.1	335.4	1,174.8
Services	0.0	20.4	0.0	5.2	20.4	4.0	32.8	82.8
Region	80.6	226.6	498.0	967.0	1,513.3	1,050.0	3,362.0	7,697.5
Agriculture	14.6	186.8	350.0	358.2	584.0	464.0	1,295.1	3,252.7
Mining	0.5	0.0	11.9	144.3	38.3	4.5	49.4	248.9
Manufacturing	65.5	13.2	134.9	436.1	834.4	546.2	1,888.2	3,918.5
Services	0.0	26.6	1.2	28.4	56.6	35.3	129.3	277.4
Indonesia	2,109.0	3,724.5	4,513.7	10,373.0	14,264.0	19,635.0	59,806.3	114,425.5
Agriculture	221.6	754.0	1,783.8	2,806.5	3,207.6	3,667.6	7,035.4	19,476.5
Mining	4.9	37.6	88.1	235.3	110.5	94.4	154.7	725.5
Manufacturing	1,539.0	1,959.1	2,059.5	6,449.3	9,688.9	12,981.1	43,205.6	77,882.5
Services	343.5	973.8	582.3	881.9	1,257.0	2,891.9	9,410.6	16,341.0

Source: Compiled from data provided by BKPM.

Table 2.3.10 Approved Foreign Direct Investment into the Region

	(Unit: US\$ million)							
	1984	1985	1986	1987	1988	1989	1990	1984 - 1990
Jambi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Sumatra	0.0	0.0	1.1	2.1	919.9	56.7	44.4	1,024.2
Agriculture	0.0	0.0	1.1	2.1	0.0	56.7	40.2	100.1
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.0	0.0	0.0	0.0	919.9	0.0	4.2	924.1
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bengkulu	0.0	0.0	0.0	0.0	0.0	41.1	0.0	41.1
Agriculture	0.0	0.0	0.0	0.0	0.0	41.1	0.0	41.1
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lampung	0.0	3.6	2.3	2.0	0.0	77.9	58.3	144.1
Agriculture	0.0	3.6	0.0	2.0	0.0	15.0	58.3	78.9
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.0	0.0	2.3	0.0	0.0	62.9	0.0	65.2
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Region	0.0	3.6	3.4	4.1	919.9	175.7	102.7	1,209.4
Agriculture	0.0	3.6	1.1	4.1	0.0	112.8	98.5	220.1
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	0.0	0.0	2.3	0.0	919.9	62.9	4.2	989.3
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	1,096.9	856.5	869.5	1,520.3	4,481.6	4,719.0	8,750.9	22,294.7
Agriculture	0.0	20.3	40.8	131.3	106.9	173.1	191.6	664.0
Mining	0.0	0.0	84.0	39.6	0.0	0.0	115.5	239.1
Manufacturing	989.7	685.0	583.8	876.9	3,784.9	4,249.4	5,647.8	16,817.5
Services	107.2	151.2	160.9	472.5	589.8	296.5	2,796.0	4,574.1

Source: Compiled from data provided by BKPM.

The following institutional efforts are also required in order to promote export in the Region:

- It is effective to connect measures to attract private investment with those to promote export. If a province can induce export-oriented companies, it can easily expand the production and promote export. In line with this, the provincial governments in the Region have to consider giving such investors some kinds of benefits as one of measures to promote export.
- It is essential for the provincial governments and the private sector to cooperate each other. For example, they can easily exchange information on export by organizing or reinforcing committees related to trade.
- It is effective to organize or reinforce groups of small-scale companies, small holders, etc., who have difficulties in exporting by themselves but have potentials, and give assistance (e.g., marketing information, export finance, etc.) to them.
- It is necessary to conduct sales promotion by means of having an export exhibition and sending a trade mission to develop new consumers in foreign markets.
- It is required to further simplify export procedures.
- It is necessary to strengthen financial institutions in order to provide export finance (without conflicting GATT regulation), give marketing information to exporters and producers related to export.
- It is desirable to provide a training program for exporters and producers related to export. Some provincial governments have already initiated such training courses.

2) Attracting Private Investment

In order to induce both domestic and foreign investors, the four provinces have to consider building and maintaining related infrastructure such as electricity, telecommunication, irrigation, transportation, and so on. To establish industrial estates is also one of the effective measures to attract them (some provinces in the Region have already started construction or made plans).

It is necessary to consider such measures as to: a) give investors enough information about the investment environment in the Region; b) have an exhibition positively to attract investors both in foreign and domestic markets; c) give provincially specific incentives, to the extent possible, to investors such as reduction/exemption from taxes, duties, charges, etc. within the national policy on investment is one of the effective ways to induce investors; d) strengthen financial institutions in order to support investors; e) further simplify approval procedures for investment; f) strengthen the role and capability of BKPM (Regional Investment Coordinating Board) and the investment committee at the provincial level comprising BKPM, BKMA (National Land Agency), Department of Agriculture, Department of Forestry, Department of Industry, KADIN, Bank Indonesia, BAPPEDA, etc. in order to effectively take measures to attract and assist investors.

2.3.4 The Provinces

(1) Jambi

Ethnic groups range from the Jambi Malay of the old Jambi Sultanate; through coastal and swampland peoples who undertake fishing, trading and swamp cultivation activities (Buginese, Banjarese, Orang Laut and Malay); to inland groups. These include the Kerinci matrilineal people, whose language is closest to Rejang; the Batin, who merged with the Jambi Malay identity following Islamicization; and the forest dwelling **Anak Dalam** (Kubu), whose environment is diminishing. Around 300,000 official transmigrants have arrived so far, with high numbers of spontaneous migrants from Java and elsewhere in Sumatra.

Jambi is perceived as a province with plentiful land and little poverty, which is partly supported by its 1980 ranking as province in Southern Sumatra with the lowest levels of rural poverty (8 per cent) (IFAD 1988). An outward looking rural view has been fostered by extensive small-holder rubber cultivation, with strong linkages between the village and international markets; although these villagers suffer if rubber prices are low. However, there are still problems of isolation leading to uneven spread of services, including health services. Jambi has the highest IMR (infant mortality rate) of Southern Sumatra. Some urban poverty is beginning to emerge.

Despite rapid progress in the *desa* classification from *Swadaya* villages to *Swakarya* and *Swasembada*, a Universitas Gajah Mada team has found problems with village autonomy. The dissolution of *marga* following UU5/79 has disrupted village revenues, reduced the capacity of villages to work cooperatively, and devalued the role of *adat* and *adat* leaders. Increasingly, villages which used to rely on forests to supplement agricultural incomes are losing the right of access, traditional taxes and forest products to large forest enterprises. In the Kerinci-Seblat National Park around 14,000 people are due for relocation elsewhere in the province, which is causing some social stress.

The province has achieved considerably vigorous economic growth in 1983-89. GDP of the province increased from Rp 530.8 billion in 1983 to Rp 887.6 billion in 1989 at the constant 1983 prices. The real average growth was 8.95% per annum (5.20% from the primary, 17.89% from the secondary and 6.19% from the tertiary sectors, respectively). Particularly high growth was attained in 1987 (12.18%) and 1988 (17.56%). This high economic growth was largely attributed to the rapid expansion of the secondary sector (nearly 60% increase in mining and quarrying, and around 15% in manufacturing industries) and partially to the tertiary sector (more than 20% in utilities, and more than 10% in trade, and transport and communication sectors).

By industrial origin, the share of agriculture, which has been still the single largest industry in GDP, dropped from 38.1% in 1983 to 30.9% in 1989 at the constant 1983 prices. The secondary sector gained the share from 21.4% in 1983 to 34.4% in 1989, supported by the robust growth. Because of the moderate growth of the tertiary sector of 6.19% in 1983-89 compared with the secondary sector, its relative share in GDP declined from 40.5% in 1983 to 34.7% in 1989.

Owing to the rapid expansion of the provincial economy, which has far surpassed the population growth of 3.4%, regional GDP per capita in real terms increased from Rp 0.33 million in 1983 to Rp 0.45 million in 1989. The average growth of per capita GDP was 5.36% per annum in 1983-89.

Until the end of Repelita VI, the province is planning to develop plantation of around 400,000 ha. This project aims at activating participation of private sectors, in order to diversify and stimulate the provincial economy, and to absorb rapid growing manpower. However, due to largely poor transportaton, only 63,300 ha or 16% of the target area has been developed as of 1991.

Jambi Province's development priority is currently placed on:

- 1) economic sector in general with particular emphasis on agriculture;
- 2) agro-industry processing agricultural products;
- 3) transportation infrastructure which supports agriculture and industry; and
- 4) conservation particularly in Kerinci Seblat National Park and strategic protection areas.

Four main strategies to achieve the objectives are to:

- 1) develop agro-industries by investing into estates, smallholders, transmigration, foodcrops, livestock, fishery, forestry, etc;
- 2) increase transportation capacity by linking production areas to urban centers and by integrating sea, land and river transportation;
- 3) increase non-oil/gas export by expanding market and by diversifying commodities; and
- 4) develop human resources by providing better infrastructure of education, health, etc.

Thus major development issues identified by BAPPEDA include:

- 1) Construction of a new seaport
- 2) Conservation in the Kerinci Seblat National Park
- 3) Flood control (Batang Hari river)
- 4) Betterment of the road network
- 5) Development of isolated villages
- 6) Development of the eastern lowland (especially for plantations)
- 7) Preparation of RSTRP (due in March 1992)

The issue of the Kerinci Seblat National Park needs some more explanation. Settlements around Sungai Penuh, Kabupaten Kerinci, form an enclave in the large national park. The basin is the most densely populated area in Jambi, and pressure on arable land has been running high. Furthermore, the area is covered with soils most suitable for cinnamon. These have led to persistent clearing of protected forests in the surrounding park. This practice not only damages the park but also, it is claimed, results in floods and wide fluctuations of water level far downstream of Batang Hari. The latter point, however, has yet to be substantiated. Several measures have been undertaken to solve the problem with little success. One deficiency, as BAPPEDA points out, is lack of participation by local inhabitants. Obviously, this type of problem strongly calls for local development initiatives but efforts taken so far do not seem guided in this direction.

(2) South Sumatra

The ethnic composition of this province includes nearly 20 traditional groups, mostly speaking Melayu, distributed through a range of ecosystems from swamplands to forests. Palembang itself has long been an ethnically diverse, cosmopolitan trading centre, dating back to 7th century Sriwijaya. Some groups have high visibility, for example the Komering people. Other groups are marginal, including the diverse inhabitants of the Musi basin (Kabupatens Musi Rawas and Musi Banyuasin), and there are small groups of forest-dwelling Kubu. The high population growth rates of South Sumatra partly reflect the fact that it has been a destination for official and, to a lesser extent, spontaneous transmigrants since the 1930s. From a total of 609,000 migrants in the 1970s, three quarters were from Java. This has resulted in increased ethnic mixing, and also in pressure on overstretched social services and infrastructure. Transmigration, which grew rapidly in 1979, subsequently fell as fertile land became scarce. Swamp areas make less successful sites for transmigration, as the degree of migrant prosperity depends upon the relative levels of land fertility, and there are acidification problems in cultivating many swampy areas with exposed peat soils.

The dualistic nature of the South Sumatran economy has important social effects. The bulk of the labour force depends upon small-holder agriculture; whilst large, modern industries, capital rather than labour intensive, operate virtually as enclaves with few linkages into the provincial economy. The outward-looking, export orientation of the agricultural sector may help to explain the relatively low incidence of rural poverty (13 per cent) measured in 1980 (IFAD 1988). However, urban unemployment (principally in Palembang) has grown rapidly during the 1980s, reaching nearly 90,000 people, the majority of whom (nearly 60,000) are women. Many of these people are high school graduates. Urban unemployment rates elsewhere in Southern Sumatra are all below national averages (BPS 1989). Unemployment in Palembang is exacerbated seasonally during the lean pre-harvest period (*paceklik*⁷), when rural workers migrate temporarily to the city seeking employment. High rates of urban crime are increasingly associated with these high unemployment figures.

The provincial economy grew at a rather moderate rate during 1983-89. Provincial GDP with oil/gas increased from Rp 3,437.6 billion in 1983 to Rp 4,833.2 billion in 1989 at the constant 1983 prices. The real average growth was 5.84% per annum in 1983-89, constituted by 4.63% from the primary, 5.87% from the secondary, and 6.51% from the tertiary sectors, respectively. The provincial economy, which increased 12.19% in 1984, has grown at a modest rate in 1985 onward except in 1987, when the economy was choked off with no substantial increase due to sharp decline in the secondary sector by 15%.

GDP without oil/gas has accounted for around 75% of the GDP with oil/gas; Rp 2,554.8 billion in 1983 and Rp 3,677.6 billion in 1989 at the constant 1983 prices. The real annual growth in 1983-89 was 6.26% (4.63% from the primary, 7.25% from the secondary and 6.51% from the tertiary sector) somewhat larger than the growth of 5.84% including the oil/gas.

By industrial origin with oil/gas, the primary sector has accounted for less than 20%, the secondary sector of nearly 50% and the tertiary sector of more than 30%. Without oil/gas, the tertiary sector made up around 45% of the provincial GDP, followed by the secondary sector of around 30% and the primary sector of 25%. No substantial structural change has taken place in the provincial economy in 1983-89.

Provincial GDP per capita with oil/gas rose from Rp 0.68 million in 1983 to Rp 0.79 million in 1989 at the constant 1983 prices, with the real annual average growth of 2.67%. Meanwhile, provincial GDP per capita without oil/gas increased from Rp 0.50 million in 1983 to Rp 0.60 million in 1989. The average annual growth rate was 3.07% in real terms excluding oil/gas.

Recent remarkable performance of PUSRI, the largest fertilizer manufacturer in the nation, and the refinery plant of Pertamina, seems to have been forming an enclave within the province. In order to diversify the economy, the province is attempting to expand large industrial plantation as wide as 250,000 ha during Repelita V aiming at providing raw materials of forest crops to industry, providing enough job opportunities, and improving productivity and quality of environment.

Main development issues of South Sumatra Province are identified in Provincial Repelita V as:

- 1) Maintaining self-sufficiency in food by improving and expanding irrigated areas;
- 2) Betterment of the road network;
- 3) Development of isolated areas;
- 4) Development of eastern lowlands;
- 5) Development of slum areas and traditional villages;

⁷ Time of scarcity before the harvest.

- 6) Conservation of protected forests;
- 7) Development of manufacturing and services;
- 8) Development of tidal swamp areas (drainage and transmigration);
- 9) Tourism development;
- 10) Human resources development and creation of employment; and
- 11) Development of a new seaport.

To facilitate the above objectives, South Sumatra Province has identified 12 projects of strategic importance:

- 1) Komerling Irrigation
- 2) Construction of a new seaport (Tanjung Api Api)
- 3) Dredging of Musi river/land reclamation (Seberang Ulu)
- 4) Construction of the west outer ring road, Palembang
- 5) Betterment of the road network
- 6) Development of large-scale plantations
- 7) Development of tidal swamp areas (drainage, transmigration)
- 8) Improvement of villages and slums (integrated area development program, traditional irrigation program, drinking water supply program)
- 9) Sriwijaya Archeological Park
- 10) Reforestation and development of production forest (HTI)
- 11) Industrial estates
- 12) Construction of embankments (Musi river, Sungai Gerong--Musi II bridge)

Most of the above projects will be in large part funded nationally or by the private sector. Nonetheless, local initiatives (province, kabupaten) are crucial to design and implement 8) improvement of villages and slums and 9) Sriwijaya Archeological Park. With this respect, BAPPEDA's efforts should be further stepped up.

In the newly formulated RSTRP, alternative scenarios up to 2005 are developed with the Tanjung Api Api port as the main parameter. One basic strategy favored in the RSTRP is decentralization, fostering medium-scale cities (like Lubuklinggau, Lahat and Baturaja) to ease overconcentration in Palembang.

(3) Bengkulu

Bengkulu has four major original social groupings (Rejang, Serawai, Melayu and Enggano) with smaller sub-groups. The Rejang complex of social groups has spread outwards from its distinctive cultural centre in the fertile uplands of Kabupaten Rejang Lebong, with a language related to Melayu and an original written script. Under the **marga** system of government each **marga** corresponded to a sub-clan under the patriclan system of social organisation, although Rejang changed to a matrilineal descent system in the 1930s. Wet rice cultivation now supplements the traditional swidden systems. Enggano Islanders originally had a distinctive culture and language system which has virtually disappeared. Islam entered Bengkulu via the cosmopolitan West Coast trading networks, the South Asian legacy surviving in ceremonies such as Tabot in predominantly Melayu Bengkulu city.

Bengkulu's "isolation" following the decline of the sea trade kept ethnic mixing to a minimum until recently compared to other parts of Southern Sumatra. Transmigration (which includes some Lampung people) commenced in 1979 and will end with Repelita V, apart from local and fill-in transmigration. Official and spontaneous transmigration (which includes many Sumatran peoples) has focused on the North. The introduction of UU5/79, which abolished the **marga** system, has led to uncertainty over land tenure held under **adat** law, and a perceived devaluing of **adat**. There are problems of overlapping claims between competing land users: traditional farmers, transmigrants, estates, mining and forest enterprises and forestry reserves.

South Bengkulu is less well served than the faster developing north with infrastructure, transport and services. Government expenditure per capita on development projects increased after Bengkulu became an independent province in 1968, in an effort to reduce the perceived "backwardness" of the province. Human resource development has high priority. Bengkulu had relatively high levels of rural poverty in 1980 at 22 per cent (IFAD 1988), and the highest levels of illiteracy in Southern Sumatra at 17 per cent (BPS 1990).

Provincial GDP was Rp 422.2 billion in 1989 at the constant 1983 prices, distributing Rp 170.4 billion for the primary (40.4%), Rp 72.7 billion for the secondary (17.2%) and Rp 179.1 billion for the tertiary sector (42.4%). The real economic growth was 8.35% per annum in 1983-89. What made this high growth was vigorous expansion of the secondary sector by 16.79% per annum and the tertiary sector of 8.64%. The remarkable increase in the mining and quarrying industry contributed to the rapid expansion of the secondary sector. Among the tertiary sector, the average growth rate of the utilities industry reached 13.06% per annum, followed by the trade industries of 10.21%, banking industry of 9.87% and the transport and communication of 8.45%, respectively.

With respect to the share of the sector, the primary sector declined by almost 7% from 47.3% in 1983 to 40.4% in 1989. Meanwhile, the secondary sector gained its share from 11.0% in 1983 to 17.2% in 1989. The share of the tertiary sector almost remained unchanged in 1983-89, fluctuating in a very narrow range between 42-44%.

Per capita GDP of the province, which was Rp 0.30 million in 1983, increased to Rp 0.37 million in 1989 at the constant 1983 prices. The real average growth in the period was 3.88% per annum, due to rapid economic expansion surpassing the provincial population growth.

The province abolished official transmigration since Repelita V due to limited arable land. Instead as is the case in Jambi and South Sumatra, the province is encouraging plantation development, which is being rapidly progressed by large enterprises in recent years.

Bengkulu Province's development priority in Repelita V is given to the following four issues:

- 1) Education and human resources development;
- 2) Agriculture, especially foodcrops for self-sufficiency and estate and smallholder plantation for non-oil/gas export;
- 3) Industry which supports agriculture and small-scale industry which processes locally produced materials; and
- 4) Vializing local economies by means of KUD and integrated rural area development.

Top priority in provincial Repelita V is given to education and human resources development in view of the overall level of education which is still below national average. This unique approach is a very sensible one since, after all, development is for and by the people themselves. The educational conditions are improving fast, but biases toward urban, higher education have become noticeable.

Rural area development is also aimed at, among other things, capacity building of village dwellers in general and village administration in particular. A good framework for local development initiatives thus exists in this province. A LIPI study, completed in March 1992, also deals with this aspect.

(4) Lampung

Social diversity arising from Lampung's strategic position and demographic history is a striking factor in development. Pre-colonial trading communities comprised Lampungers (Pubean, Abung and Pesisir peoples), Buginese and Bantenese mixtures. During

and after the colonial period spontaneous migrants converged on Lampung from many directions, especially from South Sumatra, where swidden/tree crop cultivating Ogan, Semendo and Komering peoples moved into "pioneer fronts" in the northeast; and from Java, Madura and Bali where spontaneous migrants moved up from the south. In 1930 fully 30 per cent of the population of the province consisted of spontaneous migrants, which also included smaller numbers of Buginese, Batak and Minangkabau peoples. The official transmigration program brought principally Javanese, Madurese and Balinese peoples, and the formation of "little Javas" in agricultural and social terms, where irrigation could be developed. Migrants and their children constituted 61 per cent of the population in 1971. Lampung has consistently recorded the highest percentage of net migrants in its population of all provinces (36 per cent in 1980). As a result 75 per cent of Lampung households speak Javanese or Sundanese (1980 Census).

Exceptionally high population growth rates led to fragmentation of landholdings in the early transmigrant areas of the south and a push outwards to seek new lands. These migrant "pioneering fronts" rarely involved **sawah** and had few environmental safeguards. Inappropriate cultivation methods and land tenure uncertainty resulted in environmental damage, for example deforestation and flooding in Way Semangka. Since 1980 the provincial government has attempted to contain these pressures through local transmigration. Lampung is now closed to official transmigration and provides transmigrants for new sites elsewhere in Southern Sumatra.

Lampung has seemed to offer hope to many newcomers, but there are social problems underlying the illusion of agricultural potential. Whilst the population density is lower than Java's, soils are poorer and educational, health and infrastructure services are stretched. In 1980 Lampung had by far the highest incidence of rural poverty in Southern Sumatra at 47 per cent, or nearly 2 million people (IFAD 1988). Per capita distributions of health services were also lowest in the Region (BPS 1990). However, key indicators of social welfare have been improving. For example, Lampung in 1985 had the lowest IMR of the Southern Sumatra provinces (67 male; 54 female).

GDP of the province in 1989 amounted from Rp 1,064.9 billion in 1983 to Rp 1,776.7 billion at the constant 1983 prices. GDP from the primary sector was Rp 796.3 billion (44.8%) in 1989, the secondary sector of Rp 248.8 billion (14.0%) and the tertiary sector of Rp 731.6 billion (41.2%).

The real growth of the provincial economy reached 8.91% per annum in 1983-89, propped by the high annual growth beyond 10% over the previous year in 1984 (11.95%) and 1987 (10.48%). The real growth of the primary sector was 8.96% per annum in 1983-89, owing to remarkably high growth in 1984 (14.17%) and in 1987 (12.61%). The real growth of the secondary sector was 9.64%, which was mainly attributed to the rapid increase of the manufacturing industry with the average growth of 13.22% per annum. The tertiary sector, among which the utilities (17.77%) and the banking (17.26%) industries made their vigorous expansion, grew at the average growth of 8.60% per annum.

With respect to the distribution of the provincial GDP, the share of each sector remained unchanged in 1983-89; around 45% by the primary, less than 15% by the secondary and a bit more than 40% by the tertiary sectors. Thus, the provincial economy has been dominated by the primary sector and no distinguished structural change has taken place in the provincial economy.

Provincial per capita GDP was Rp 0.30 million in 1989 at the constant 1983 prices, which only accounted for less than 60% of the Region's average. The figure was Rp 0.21 million in 1983 and the real gain of Rp 0.09 million over the six years was a fast one, with an average annual increase of 6.08%. This high growth in per capita GDP but absolute low value can be explained by (i) vigorous economic expansion under favorable environment nationwide and by (ii) unexpectedly low population growth in the 1980s, in contrast to the

large influx of transmigrants up to 1980 with possibly low marginal productivity settling mostly into the agricultural sector.

However, influenced by dynamic and rapid expansion of the economy in Jakarta and thereby stimulating diversification of the provincial economy, it can be recognized during the field survey that there is new trend for industrial development and services development in the city of Bandar Lampung (industrial estates, a plan for sugar cane factories from private company and pineapple, etc.). Furthermore, the diversification of the agriculture sector, which tends to be rather conservative, has been also progressed recently. The situation above may lead to structural changes in economic pattern of Lampung.

Provincial Repelita V of Lampung places priority on the following issues:

- 1) Agriculture and irrigation;
- 2) Infrastructure, especially transportation;
- 3) Industry, especially agro-industry;
- 4) Human resources development;
- 5) Population problems such as employment, high fertility rate, migration, resettlement, etc;
- 6) Rural and urban development;
- 7) Participatory development;
- 8) Cooperatives (KUD);
- 9) Upgrading capability of local government; and
- 10) Creation of new kabupaten and kecamatan.

BAPPEDA has supplemented the above issues by further pointing out:

- 1) Environmental conservation, such issues as protected forests, land degradation, water pollution;
- 2) Conflicts over land title;
- 3) Development of manufacturing and services;
- 4) Agriculture, particularly large-scale estates and smallholder agriculture under the transmigration scheme;
- 5) Tourism development;
- 6) Improvement of transportation and other infrastructure;
- 7) Income disparities; and
- 8) Institutional strengthening, e.g., adjusting government's span of control, improving officers' capability.

Located just a channel away from Java, Lampung used to be the fastest growing province, its population increasing 5.77% annually during 1971-80. The rate dramatically dropped to 2.65% during 1981-90, reasons for which are still not clear. Apparently, the suspension of the official transmigration program in 1980 has much to do with this, but cannot account for the decline entirely. The province is nonetheless growing at a respectable speed now and problems associated with high growth are visible in many parts. Land use patterns in the eastern half are changing rapidly. New settlements are even developing in the mountain areas, where intensive coffee production has turned steep slopes into dangerously erosion-prone patches.

It seems that Lampung is at last having a quiet moment now, in search of right direction of its development after decades of overwhelming migratory influx. The province also seems a little uneasy being for the first time a member of the Sumatran provinces. Lampung at the crossroads, however, has already started reorganizing itself: on 16 July 1991, based on law number 6/1991, Kabupaten Lampung Barat was created, separate from Kabupaten Lampung Utara. It is planned that the current administrative setup (4 kabupaten, 1 kotamadya) will be reorganized into 8 kabupaten and 2 kotamadya in the future. This is a welcome move since it prepares at least some groundwork for local development initiatives, which must play a central part in shaping the future of this province in transition.

2.4 ROLES, GOALS AND OBJECTIVES

2.4.1 Roles Of The Region In The National Development

In view of the national setting and issues and when the Region's potentials, advantages and constraints are taken into due account, the Region is expected to play the following roles in the national development:

- 1) Lead national development together with Java and Northern Sumatra and distribute the benefits of development equitably within the Region and also to other parts of Indonesia while strengthening interprovincial economic linkages;
- 2) Expand export of, particularly, natural resource-based commodities and products taking advantage of proximity to the "growth triangle" and neighboring countries; and
- 3) Protect its natural environment as a national asset while promoting environmentally sustainable development.

2.4.2 Goals

(1) Nation

Indonesia's national development goals have been very succinctly expressed by the Development Trilogy, that is:

- 1) Economic growth
- 2) Equitable distribution of income
- 3) National stability

A harmonious implementation of the Trilogy is specifically called for by the Guidelines of State Policy, the current ones being formally adopted by the People's Consultative Assembly in March 1988. The Five-Year Development Plan (Repelita) elaborates the national development objectives and priorities in the broad framework of the Guidelines and the Trilogy.

The order of priority among the three goals of the Trilogy has not been constant, however, reflecting changes in the most pressing concern of the time. During the Repelita I period (1969/70-1973/74), though the Trilogy was not formally adopted yet, first priority was given to the rehabilitation of the national economy. As the New Order took hold and the economy began to improve, priority was clearly placed on growth when the Trilogy was first introduced. (Repelita II). The order subsequently shifted in favor of equity in Repelita III and that concern has since then stayed at the top of the Trilogy. Currently, in Repelita V, the order thus remains the same as in Repelita IV : 1) equity, 2) growth, and 3) stability.

(2) Region

The Development Trilogy basically applies to the Region as well. However, in view of the Region's potentials and the roles it is expected to play in the national development, emphasis must be on growth in its long-term plan. Moreover, stability should be interpreted broadly as stability in the ecosystem, hereby enabling the rising concern over the environment to find a legitimate place explicitly in the development goals. We thus propose the following goals as the guiding principles of the Region's long-term development:

- 1) Growth with equity
- 2) Growth with environmental sustainability

2.4.3 Objectives

In line with the above goals, concrete objectives for the Region to achieve by 2010 are as follows:

1) Integrate itself into the Java-Sumatra axis

The Region's geographical position indicates that it must become the truly integral part of the Java-Sumatra axis which is emerging not only as the national economic locomotive but also as the southernmost rim of the Asia-Pacific economic zone, connecting northward to Singapore, Malaysia and further to Thailand. This integration into national and international economies will enable the Region to achieve dynamic and efficient economic growth.

2) Increase value added and create employment

"Growth" is emphasized as a goal not to mean a larger quantity of output. Rather it must mean an increase in, first, value added and, second, employment. The Region's economy, which is predominantly agricultural now, must diversify its structure to provide jobs with remunerative income for the rapidly increasing labor force.

3) Reduce disparities within the Region

Large disparities already exist within the Region both spatially (e.g., between provinces, between urban and rural areas) and sectorally (e.g., between agriculture and manufacturing). Those disparities should be reduced in the long run to achieve more equitable distribution of benefit. It should be borne in mind, however, that, despite this intension, widening gaps may be inevitable in some respects as development accelerates and scale economies set to work. This is exactly what has happened in a number of developed and developing countries. This objective, therefore, should be taken as a long-term one, stressing due effort to keep ever-increasing disparities in check.

4) Establish environmental management systems

As one of the relatively advanced regions in Indonesia, Southern Sumatra has already faced with various environmental problems. Anticipating an accelerated development in the coming years and given a precious set of natural endowments, the Region must step up its effort to sustain its natural resource base and prevent environmental degradation. Emphasis must be placed on "management" -- conservation and development -- rather than mere "conservation."

2.4.4 Targets

The following macroeconomic indicators are specific targets set for the Region in 2010:

1) Region's GDP per capita

Region's GDP per capita (without oil and gas) is currently 88% of national average. In 2010, both should be equal.

2) Provincial GDP per capita

Provincial GDP per capita (without oil and gas) currently ranges from 121 to 61 (national average is 100). In 2010, this range should be narrower: from 120 to 80.

3) Employment

It is projected that in the Region about 300,000 new entrants join the labor force each year. Employment should therefore be created for about 6 million people during the 20 years. The target here is that 10% and 55% of this additional employment should be provided by the industrial and the agricultural sector, respectively. Currently, those sectors account for 4% and 73%, respectively, of total employment in the Region. The above goals, objectives and targets are summarized in Table 2.4.1.

Table 2.4.1 Goals, Objectives and Targets

Goals	Nation :	1) Equity	2) Growth	3) Stability
	Region :	1) Growth with equity	2) Growth with environmental sustainability	
Objectives	1) Integrate itself into the Java-Sumatra axis			
	2) Increase value added and create employment			
	3) Reduce disparities within the Region			
	4) Establish environmental management systems			
Targets	1) Region's GDP per capita (without oil and gas)			
		1990	2010	
	Region	0.88	1.00	
	Nation	1.00	1.00	
	2) Provincial GDP per capita (without oil and gas)			
		1990	2010	
	Range	121 ~ 61	120 ~ 80	
	(national average = 100)			
	3) Employment			
		1990 - 2010		
Total new employment	6 million			
New employment				
by industry	0.6 million	(10%)		
by agriculture	3.3 million	(55%)		
by others	2.1 million	(35%)		

2.5 FUTURE DIRECTION AND STRATEGIES

2.5.1 Future Direction

In which direction should the Region develop, particularly in terms of economy, to achieve its objectives while successfully playing its expected roles? Three directions appear highly plausible considering the Region's endowments, constraints and existing economic conditions. They are:

- | | |
|--------------------|---------------------------------------|
| Direction 1 | Resource-Base-for-Java Economy |
| Direction 2 | Agriculturally Specialized Economy |
| Direction 3 | Agriculture - Industry Linked Economy |

Those three directions are described and compared in Table 2.5.1. To briefly characterize them, Direction 1 is a laissez faire projection which extrapolates an already burgeoning trend to its extreme. Direction 2 is a version in which agriculture, the Region's greatest comparative advantage, is brought to maturity. Direction 3 explores the possibility of agriculture-based industrialization, whose scale is very limited as yet.

It should be noted, first, that those directions are not necessarily mutually exclusive; Direction 3, for instance, may resemble Direction 2 in its early stages of development. In practice, their paths can fluctuate to overlap one another. Second, the directions are for the Regions as a whole but they do not imply that eventually the four provinces should have identical faces. On the contrary, the four provinces are and will be diverse in many respects. Direction to be adopted here only indicates the general image of the Region, within which the provinces being assigned individual roles based on their unique characteristics.

In selecting one direction, it is of particular importance to see how each of the three fulfills the four objectives set earlier. In Table 2.5.2, each direction's prospect to achieve the objectives is broadly assessed and shown either as "good," "moderate" or "poor."

From among the three possible directions, **Direction 3** is chosen particularly with respect to the following criteria:

- 1) achieving high enough growth to contribute to the national development;
- 2) achieving more equitable and more harmonious regional development; and
- 3) overall efforts necessary to carry out the Direction successfully.

Criterion 1 (high growth) disqualifies Direction 2 whereas criterion 2 (equitable, harmonious development) calls Direction 1 into question. On the other hand, criterion 3 (overall efforts) underscores the difficulty associated with Direction 3. Given "growth with equity" as the primary goal, however, criterion 3 will weigh less with the Region. Direction 3 is thus selected even though various difficulties are anticipated in its course.