

II. Indonesia's Development and Cooperation by JICA



Indonesia: A summary

Indonesia is a republic located in southern Southeast Asia. It has a national land area of 1.9 million square kilometers (five times Japan's) and, with approximately 17,000 islands of all sizes, has the largest number of islands of any nation in the world. Approximately 230 million people live on more than 9,000 of these islands, giving Indonesia the fourth largest population in the world (2008). The population encompasses a diverse array of coexisting ethnic groups and religions, and thus "unity in diversity" has become the nation's motto.

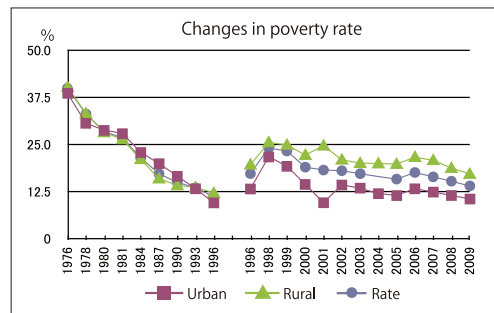
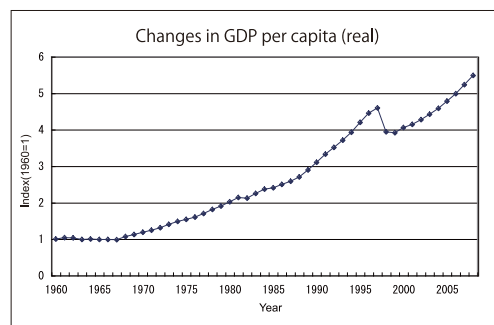
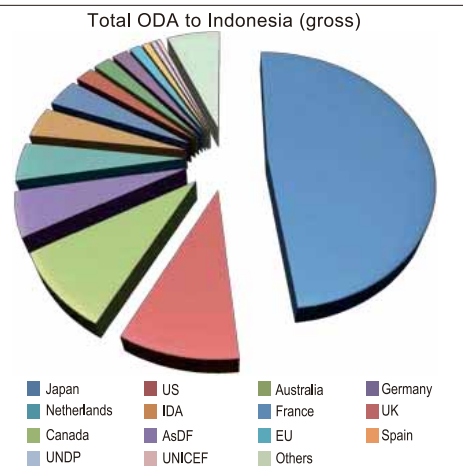
History of development

Today, Indonesia is developing steadily and enjoys political stability. It is also implementing reforms that include democratization and anticorruption measures. And on the international stage, Indonesia is a G-20 member and has a central presence in ASEAN.

Nonetheless, the road to today's Indonesia was not smooth. Since proclaiming its independence in 1945, Indonesia, which was focusing on building the unity of the new country—under the leadership of President Sukarno—had to overcome various political and economic turmoils. However, during that time also, Indonesia initiated an international movement by becoming the first host of the Asia-Africa Conference.

In March 1968, Suharto took over the leadership from Sukarno. Since then, President Suharto focused on the development aspect; realizing rice self-sufficiency, increasing basic education enrollment level, improving health indicators. When Indonesia faced economic difficulties in the latter half of the 1980s due to the decline in the international price of crude oil, which was its main source of foreign currency, it entered a period of structural adjustment to overcome these difficulties and wean itself from its petroleum-dependent economy. During this time, Indonesia made a shift in its policies from import substitution to export promotion, and as a result its dependence on petroleum lessened and its export structure became more diversified. The country's efforts to reduce regional disparities also gained momentum at this time.

However, just as Indonesia was taking its first steps toward renewed growth, the 1997 Asian currency crisis that originated in Thailand began to have a significant impact on its economy. This negative impact of the crisis, combined with various problems that had accumulated over many years of centralized administrative authority, caused Indonesia's politics and economy to fall into disorder and ended the 30-year-old Suharto administration. In the years since, Indonesia has been on a course toward democratization. Among developments here are constitutional revisions that include equality under the law, freedom of expression, freedom of association and assembly, and direct presidential elections by the people. Indonesia has also been promoting decentralization by, for example, conducting major transfers of authority from the central government to local governments and introducing a system for direct public elections of regional leaders. It is also working to implement institutional reforms in its economy. From President Habibie, who succeeded President Suharto, to the current President Yudhoyono, efforts toward democratization and decentralization are, despite some growing pains, undeniably supporting the stability and development of today's Indonesia.



Cooperation provided by JICA

JICA has provided a cumulative total of 4.6261 trillion Yen in ODA¹ to Indonesia. Two sectors account for 57% of this total: "public works and utility projects," which includes transportation, communications, waterworks and sewerage systems, and river basin management (account for 1.7190 trillion Yen or 37% of the total), and "energy" (account for 877.9 billion Yen or 20% of the total). These are followed by cooperation in agriculture, forestry, and fisheries sectors (371.3 billion Yen or 8% of the total) and cooperation in mining and manufacturing sector (249.6 billion Yen or 5% of the total).

In the history of JICA's assistance to Indonesia, JICA provides assistance for nation-building such as infrastructure, human resources and institutional development when Indonesia's society and economy enjoys stability. In times of economic crises and other emergencies, on the other hand, Japan provides assistance in order to stabilize the economy and society in Indonesia primarily through non-project yen loans².

Results

Indonesia's successful nation-building and socioeconomic development are the products of relentless effort and ingenuity by the Indonesian people. However, the role that external assistance plays as Indonesia goes up the ladder of development cannot be ignored. The results of over 50 years of support by JICA as the Japanese government's ODA implementing agency can be categorized into the following four areas.

(1) Contribution to social and economic stabilization

JICA has helped Indonesia weather crises in international balance of payments and fiscal balance by providing timely non-project yen loans during the times of economic uncertainty, including the period immediately following the inauguration of President Suharto's administration in the late 1960s, the period of stagnant international crude oil prices in the latter 1980s, and the Asian currency crisis of the late 1990s. In addition, JICA has helped raise Indonesia's food security, which is a vital element of national stability, through infrastructure development and technical cooperation focused on irrigation and other areas. JICA has also made contributions toward improving public health through technical cooperation in the health, hygiene, and maternal and child health sectors. And, given that Indonesia is a volcanic country that is prone to earthquakes, JICA is also providing support for prevention of natural disasters and post-disaster recovery.

(2) Contribution to the building of foundations for national social and economic development

Indonesia is a vast archipelago, and thus, its infrastructure network serves as the foundation for economic development and links the country's many people and islands together. JICA has played a significant role in the formation of this network by formulating master plans and constructing infrastructure with yen loans. Moreover, JICA has



done more than just help build infrastructure; it has also supported the development of human resources that will operate and maintain infrastructure. In the 1970s, JICA provided intensive assistance for the development of petroleum and natural gas that drove Indonesia's economic growth and helped reinforce the Indonesian government's financial base. And in recent years, JICA has helped maintain the various institutions needed to put Indonesia's business environment in order. Furthermore, JICA's support for higher education and research standards in higher education institutions has become an important foundation for Indonesia's social and economic development.

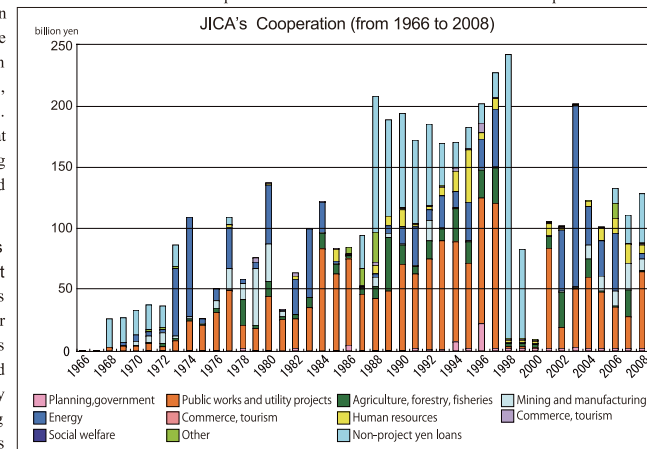
(3) Reinforcement of capacities in administrative organizations that support nation-building

JICA has provided continuous technical cooperation to Indonesia's administrative organizations with both medium-term and long-term perspectives in mind. Its cooperation has been based on organizational reinforcement, human resources development, and institution-building as approaches toward sustainable development in Indonesia. JICA's cooperation methods—which involve mutual consideration and collaboration with Indonesian counterparts—have helped establish organizations and human resources that continue to develop even after cooperation ends.

(4) Promotion of democratization and decentralization

Responding to Indonesia's progress in democratization and decentralization, JICA has helped create concrete mechanisms that meet specific circumstances in Indonesia by presenting Japan's experience and working together with Indonesian personnel.

Over fifty years of cooperation have done more than contribute to Indonesia's development. The continuous cooperation provided over these long years has deepened interaction between the people of the two countries and mutual understanding. This strengthened bilateral relationship is the most important asset for the future of both Indonesia and Japan.



¹ Cumulative total for the period from 1966 to 2008 for which data exist.

² As opposed to project yen loans that provide funds for specific development projects, non-project yen loans provide funds to help the target country improve its balance of international payments or implement economic development plans or structural adjustment plans, without specifying particular projects with specific objectives.