

A WORLD BANK COUNTRY STUDY

# Indonesia

## The Transmigration Program in Perspective



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**The World Bank**  
**Washington, D.C., U.S.A.**

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First printing July 1988

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#### Library of Congress Cataloging-in-Publication Data

Indonesia : the transmigration program in perspective.  
p. cm. -- (A World Bank country study)

ISBN 0-8213-1092-5

1. Rural development projects--Indonesia. 2. Land use, Rural--Indonesia. 3. Migration, Internal--Indonesia. 4. Human settlements--Indonesia. I. International Bank for Reconstruction and Development. II. Series.

HN710.Z9C6225 1988

307.1'4'09598--dc19

88-20533

PREFACE

The World Bank periodically prepares country sector reports on important economic sectors and development programs. These reports provide the basis for the Bank's dialogue with Government officials on the policies, investment priorities and financial requirements of important programs. Distribution of these documents is normally restricted to official representatives of member countries. However, where the issues are of general interest, and where the authorities of the country agree to waive normal restrictions on distribution, such documents can be made available to a wider audience. Such is the case with The Indonesian Transmigration Program in Perspective.

Between 1980 and 1986 the Indonesian Transmigration Program supported the movement of more than two million people from the densely populated "inner islands" of Java, Bali, and Lombok to the less populated "outer islands" of Sumatra, Kalimantan, Sulawesi and to a lesser extent Irian Jaya. An equal number of people are believed to have moved on their own, attracted in part by family and friends settled with government support. The transmigration program has been the largest government-sponsored voluntary resettlement scheme in the world. Because of the size of the program and because a number of settlements were opened in forest areas, the program attracted international attention, particularly from environmental groups concerned with deforestation and conservation.

In 1986 new settlement under the transmigration program came to a virtual halt as the government reassessed its priorities. This was partially in response to declining oil revenues. In addition, the lower than expected agricultural production during the initial development period convinced the Government of the need for additional investments in existing sites to increase incomes and create the conditions for sustainable economic growth and equitable development.

This report was initiated in 1985 as a review of resettlement in the third five-year plan (1979-1984). By that time, data were available which permitted an assessment of migrant incomes and economic returns to settlement models. Evidence was also available on the role of the program in employment generation, demographic change and regional development. Environmental and social issues were also reviewed. Among the conclusions emerging from the report were that economic rates of return and initial settler incomes were low and that the program was complex and difficult to implement. Spontaneous migrants were not adequately incorporated into program planning and the scale of the program heightened concern about the environmental impact and potential social problems. Yet, the study also found that economic and social prospects for settlers were superior to those in Java, and transmigration appeared to have contributed significantly to employment generation and regional development.

In light of this analysis, the review, which was written prior to recent resource constraints in Indonesia, recommended that (a) the rate of new settlement should be slowed and the major emphasis should be placed on the



consolidation and improvement of existing sites; (b) new settlements should be based on more productive farming systems; (c) institutions responsible for planning and carrying out the program should be strengthened; (d) increased attention should be given to accommodating spontaneous migrants on productive holdings; and (e) higher priority should be given to social and environmental concerns. These recommendations were accepted by the Government.

Different groups will have very different views on the merits and demerits of transmigration, but during the preparation of this report, it became evident that many misconceptions exist in public discussion of the transmigration program. The Government felt that the report provides at least partial answers to some questions and, for this reason, agreed in mid-1986 to release the document for general distribution.

The World Bank would like to express its thanks to His Excellency, Mr. Martono, the former Minister of Transmigration, who provided the full support of his institution for this review; to Dr. Sayuti Hasibuan, Deputy for Manpower and Population Affairs in BAPPENAS, who provided guidance to the review team; and to Messrs. Soedjino Hardjosoetowo and Djoko Hartono who have worked especially closely with Bank teams. Thanks are also due to Mr. Soegito Sastromidjojo, in the Central Bureau of Statistics, who carried out the income survey. It is not possible to thank individually all of the officials and individuals who provided information, help and support, and without whose assistance this report would not have been possible.



A recently established transmigrant village in Jambi Province, Sumatra.



Work in the fields in a transmigrant settlement.

### CURRENCY EQUIVALENTS

US\$1.00	=	Rupiah (Rp) 1,650 /a
Rp 1 million	=	US\$606

### GOVERNMENT OF INDONESIA FISCAL YEAR

April 1 - March 31

### WEIGHTS AND MEASURES

1 kilometer (km)	=	0.62 miles (mi)
1 square kilometer (km <sup>2</sup> )	=	100 ha = 0.39 mi <sup>2</sup>
1 hectare (1 ha)	=	2.47 acres (ac)
1 kilogram (kg)	=	2.2 pounds (lb)
1 metric ton 9t)	=	2,206 pounds

### ACRONYMS, ABBREVIATIONS AND LOCAL TERMS

AARD	-	Agency for Agricultural Research and Development
Bangda	-	Directorate General of Regional Development
BAPPEDAs	-	Provincial Planning Agencies
BPS	-	Central Bureau of Statistics
CRIA	-	Center for Research in Agriculture
DGE	-	Directorate General of Estates
DGFC	-	Directorate General of Food Crops
FAO	-	Food and Agriculture Organization
Gabah	-	Unmilled rice
GOI	-	Government of Indonesia
HH	-	Household
IFAD	-	International Fund for Agricultural Development
Inner Islands	-	Java, Madura, Bali and Lombok
JMT	-	Junior Minister for Transmigration
Kabupaten	-	District
Kecamatan	-	Subdistrict
IUCN	-	International Union for Conservation of Nature and Natural Resources
MOA	-	Ministry of Agriculture
MOF	-	Ministry of Forestry
MOT	-	Ministry of Transmigration

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/a After September 12, 1986. All analysis in this document is based on an exchange rate of Rp 1,100, the prevailing exchange rate when the report written.

NTB	-	Nusa Tenggara Barat
NTT	-	Nusa Tenggara Timur
ODA	-	Overseas Development Authority (UK)
OSG	-	Office of the Secretary General (in MOT)
Outer Islands	-	Sumatra, Kalimantan, Sulawesi, Irian Jaya and a number of small islands
PIR	-	Domestically financed estate projects
PMU	-	Project Management Unit, provides inputs and labor compensation to farmers
PRPTE	-	Government-financed tree crop development program
PTP	-	Publicly owned estate
Repelita	-	Five-year development plan (Repelita I, 1969-74; Repelita II, 1974-79; Repelita III, 1979-84; and Repelita IV, 1984-89)
SCDP	-	Smallholder Coconut Development Project
Siap	-	Budgetary carry-over
Sisipan	-	Fill-in transmigration program near already settled sites
SRDP	-	Smallholder Rubber Development Project
Susenas	-	National Socio-Economic Survey
Swakarsa	-	Directorate for Self-initiated Movement
TSP	-	Trisodium phosphate fertilizer
UNDP	-	United Nations Development Programme
WWF	-	World Wildlife Fund



## EXECUTIVE SUMMARY

### A. Background

#### Introduction

1. Transmigration is a multifaceted economic and social program, which has had a significant impact on employment, migrant welfare, and regional development in Indonesia.
2. In response to the inequitable distribution of land and labor, resettlement programs were begun in Indonesia in 1905. Since 1979, however, the scale of the transmigration program has significantly increased. In the second five-year plan (1974-1979) about 52,000 families were moved, while in the third five-year plan (1979-1984) about 366,000 families (1.5 million people) were resettled under the sponsored program. Of these, about 300,000 families were moved from the overcrowded islands of Java, Madura, Bali and Lombok, while 65,000 were resettled within the receiving provinces. Government also identified 170,000 families that moved without assistance, although the actual number is believed to be much larger. Of the sponsored migrants, 62% went to Sumatra, 19% to Kalimantan and 14% to Sulawesi. About 16,600 families, 5% of the total, were settled in Irian Jaya.
3. The fact that transmigrants move voluntarily to pioneer settlements involving considerable hardship, attests to the economic pressures on poor farmers in Java and Bali and to the opportunities they perceive in the outer islands. The fact that farmers settled under the sponsored program were, on the whole, moved in a safe and orderly way is commendable. However, the scale and rate of acceleration of the program in Repelita III have also given rise to a number of problems in need of attention. This report is intended to evaluate the transmigration program and make recommendations for future development.

#### The Country

4. The Republic of Indonesia, with a population of about 168 million in 1986, is the fifth most populous nation in the world. Over 100 million people live on Java, an island with about 7% of the nation's land. With population densities in Java at 774 people/km<sup>2</sup> (roughly the same as Bangladesh), agricultural holdings are small and incomes are low. In a 1984 survey by the Central Bureau of Statistics (BPS), average household incomes in rural Java were about US\$730 and about 40% of the population fell below a poverty line estimated at US\$540 per family per year.<sup>1/</sup> Other islands have more land (although generally of lower fertility), less dense populations (about 33 people/km<sup>2</sup>) and a major portion of the country's nonagricultural resources, particularly oil and timber. For these reasons, households in the main trans-

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<sup>1/</sup> Based on an exchange rate of Rp 1100/US\$1.00, the prevailing rate when this report was written.

migration receiving areas (Sumatra, Kalimantan and Sulawesi) are more prosperous and incomes average about US\$1,000/family/year. Key demographic data are provided in Table 1.

5. The significance of these demographic facts cannot be overstated. Nearly two thirds of Java's farm families have less than one half hectare of agricultural land, a subsistence size plot, and in spite of an active and successful family planning program which has reduced the growth rate to 1.8% p.a., population pressure has led to densely crowded conditions in lowland rice producing areas. Farmers have moved onto steep slopes and into forest reserves where cultivation and erosion have caused environmental degradation, siltation of reservoirs and canals, and downstream flooding. Urbanization in Java's major cities is occurring at a rate of 4% per year, more than twice the rate of population growth, and major investments in urban infrastructure and services are required to serve an estimated 1.6 million new urban residents each year.

Table 1: BASIC DEMOGRAPHIC DATA

Province/Island	Est. 1986 population (million)	Area ( '000 km <sup>2</sup> )	Population density (People/km <sup>2</sup> )	% Farm households with	
				Less than 0.5 ha	Over 2.0 ha
<u>The Inner Islands</u>					
Java/Madura	102.2	132	774	63%	4%
Bali/West Nusa Tenggara	5.8	26	226	46%	10%
<u>Total</u>	<u>108.0</u>	<u>158</u>	<u>685</u>	<u>62%</u>	<u>5%</u>
<u>The Outer Islands</u>					
Sumatra	33.0	474	72	27%	23%
Kalimantan	8.0	540	15	19%	39%
Sulawesi /a	13.5	264	51	25%	40%
Other eastern islands /b	4.1	60	68	-	-
Irian Jaya	1.4	422	3	-	-
<u>Total</u>	<u>60.0</u>	<u>1,760</u>	<u>34</u>	<u>26%</u>	<u>30%</u>
<u>GRAND TOTAL</u>	<u>168.0</u>	<u>1,918</u>	<u>88</u>	<u>-</u>	<u>-</u>

/a Includes the Moluccas.

/b Other eastern islands which have not been transmigration receiving areas.

Source: Statistical Yearbook of Indonesia, 1984. Land holding data are extracted from the 1983 Agricultural Census.



Intensively cultivated area in upland Java. Hills in the background show the trees remaining from a reforestation program.



Aerial view of recently established transmigrant community in Central Sulawesi.

## Development Objectives and the Role of Transmigration

6. Employment creation and poverty alleviation are among Indonesia's key development objectives and they have been addressed through a broad spectrum of programs. Major investments have been made in irrigation, fertilizer production, agricultural research and smallholder tree crop development, and the mechanization of agriculture has been discouraged on employment grounds. Government has invested in labor-intensive rural works programs, village improvement, education and health, and the Indonesian family planning program has made solid and impressive progress in promoting fertility declines by raising contraceptive prevalence. Government has encouraged the growth of small-scale industries, but the growth of export industries has lagged due to strong competition from other developing countries, import restrictions in developed countries, and a complex policy and regulatory environment.

7. Resettlement has also played a role in Indonesia's efforts to cope with population growth, reduce deforestation in the inner islands, create productive employment and stimulate regional development. Resettlement from Java began in 1905. By 1980 about one million people had been resettled, and about two million people were in the outer islands as the result of sponsored transmigration and associated population growth. Government's interest in moving people has been reciprocated by a desire on the part of poor people to move. Transmigration is voluntary, and in recent years the number of people registering for the program has exceeded the number who could be moved. Farming households choose to resettle to meet their subsistence needs and to provide opportunities to their children.

### The Settlement Program

8. Definitions. Transmigration refers to the movement of people from overcrowded areas of the inner islands to less developed areas of the outer islands. Sponsored transmigrants receive government support and move to selected sites. Spontaneous transmigrants receive little or no government support and move to areas of their own choosing, generally to be near families or friends. Government sponsorship is an important element in transmigration because traditional land tenure arrangements in the outer islands make it difficult for individual migrants to secure legal rights to land. In addition, by selecting and supporting migrants, transmigration authorities have been able to target critical areas in Java and Bali for recruitment and ensure that even the poorest farmers can move if they wish to.

9. Resettlement under the official transmigration program has been based almost entirely on smallholder agriculture. (Parallel programs to transfer manpower to the outer islands as industrial or estate laborers have not been a part of the official transmigration program). However, different farming systems have been emphasized at different stages in the development of Indonesia's resettlement effort.

- (a) Irrigated Schemes. Under the Dutch, most resettlement occurred on new large-scale irrigation schemes in the outer islands. Between 1950 and 1970 government investment in new irrigation was limited, due to financial constraints, but most sponsored settlers were moved

to areas intended eventually for irrigation. Some of these settlements have since received irrigation works.

- (b) Swamp Reclamation Schemes. Swamps were first opened for rice production and settlement in the 1930s. In these areas, in theory, tidal action pushes fresh water up the rivers and canals and onto low-lying land, making regular inundation of rice fields possible. In practice, most recently opened areas depend on banded rainfed rice production.
- (c) Rainfed Schemes. In the second five-year plan (1974-79) an agricultural package (including planting materials, fertilizer, credit and extension) was developed to support rainfed agriculture on the less fertile soils of the outer islands. This package allowed settlement in slightly undulating areas unsuited to irrigation and permitted an expansion of areas suitable for settlement. To differentiate these schemes from irrigation and swamp sites in low-lying areas, they are typically called upland schemes, even though areas selected for food crops must have slopes under 8%.
- (d) Cash Crop Schemes. Under the Nucleus Estate and Smallholder (NES) program begun in 1978, estate managerial capacity has been harnessed for the establishment of cash crops for local smallholders and transmigrants. Most NES schemes have been based on tree crops (oil palm, rubber and coconut), although sugar and cotton have also been produced. Most settlers on these schemes also receive a small plot for subsistence food production. Recently, there has been a growing interest in using project management units (PMUs) to help new and existing transmigrants establish tree crops and other cash crops on their land.

10. The Settlement Process. Transmigrants are recruited in rural areas of Java, Madura, Bali and Lombok. They must be married, of good character and have previous farming experience. Typically, poor households encourage one married son or daughter to transmigrate, and if successful, other relatives follow. Sponsored migrants are moved by plane or bus and on arrival they receive a small house on 0.25 ha of village land and 0.75 to 1.0 ha of cleared land outside the settled area. Additional land (averaging 1.0 to 2.0 ha) is reserved for future development. Public facilities including schools and clinics are located in the village center. Subsistence supplies are provided for one year while the land is being tilled and crops are being established. If crops fail, the provision of supplies can be extended. Settlements are expected to be self-sufficient at the end of five years.

11. In addition to the food crop package, most settlers on rainfed schemes are provided with planting materials for minor tree crops (coffee, cloves) and small livestock (chickens, goats). In the early years of settlement, farmers usually confine their agricultural activities to their cleared land (1.0 - 1.25 ha) since the reserve land is not allocated and labor is limited. Where reserve land is directly behind the houseplot or cattle are introduced, more land is cultivated and farms are more diversified. In general, however, improving or expanding the area under production requires

the introduction of financial and technical support at a later stage and this is called second-stage development.

#### The Repelita III Transmigration Program (1979-84)

12. Program Formulation. Pressed by increasing environmental degradation on Java and growing employment concerns, and encouraged by an improved financial situation, Government significantly expanded the transmigration program in Repelita III and targets for this period were set at 500,000 families. With these high targets, the central issues in the design of the Repelita III transmigration program concerned the farm model used, program scale, and investment levels.

13. Government officials recognized that it was technically possible to resettle smallholders on tree crop schemes that provided relatively high incomes and rates of return. However, they also believed that such programs would be costly, would slow the settlement process, and would create income disparities between beneficiaries and nonbeneficiaries. For these reasons, and consistent with Government's view that transmigration had to be carried out on a relatively large scale to realize program objectives, it was agreed that settlement would be based initially on schemes supported by rainfed food crops. This model was adopted because Indonesia was, at that time, the world's largest importer of rice, and because annual crops were the quickest to establish, they promoted early self-sufficiency, and they cost less than other models. Tree crops were to be introduced at a second-stage. In order to speed settlement, sites were selected and cleared on a plan-as-you-proceed basis, and to give a quick start to migrants, land clearing was mechanized and 1.0 to 1.25 ha of land per family were cleared.

14. To reach its targets, Government also made a number of changes in the implementation of the transmigration program. Most important, a number of major activities were taken from the Directorate General of Transmigration (DGT) and given to agencies normally responsible for each sector. The Ministry of Public Works undertook site selection and land preparation, the DGT carried out transmigrant selection and resettlement, agencies within the Ministry of Agriculture provided agricultural inputs, and the Ministries of Health and Education were responsible for activities in their sectors. Mechanisms were also established to promote interagency coordination. In response to the favorable resource position at the time, funding of the program was increased and ceased to be a major constraint.

15. Achievements. Although there were implementation problems arising from high targets, sponsored settlement was increased from 52,000 families in Repelita II to 366,000 families in Repelita III. Of these, about 22,000 were local families who elected to join transmigration settlements, and 42,000 were spontaneous migrant families who had settled in watershed and forestry areas in Lampung province and were resettled within the province (see Table 2). About 80% of all families were settled in rainfed sites based mainly on food crop production, 18% in swamp reclamation areas, and 2% on tree crop schemes. The total cost of the program was Rp 1.6 trillion (US\$2.3 billion), of which about US\$107 million (5%) was disbursed by the World Bank.



Table 2: SPONSORED TRANSMIGRATION PROGRAM, 1950-84

Year	Five-year plan	Total families moved	Local families /a	Resettled families /b	Total families settled	Total people
1950-54		21,037	0	1,280	22,317	87,000
1955-59		32,114	0	128	32,242	134,000
1960-64		26,456	0	0	26,456	111,000
1965-69		21,633	0	0	21,633	92,000
1969-74	(Repelita I)	39,436	0	75	39,511	240,000
1974-79	(Repelita II)	44,484	7,600	0	52,084	465,000
	<u>Subtotal</u>	<u>185,160</u>	<u>7,600</u>	<u>1,483</u>	<u>194,243</u>	<u>828,000</u>
1979-84	(Repelita III)	301,279	22,284	42,414	365,977/c	1,492,000
	<u>Total</u>	<u>486,439</u>	<u>29,974</u>	<u>43,897</u>	<u>560,220</u>	<u>2,320,000</u>

/a Indigenous families settled in transmigration sites.

/b Resettlement of sponsored or spontaneous migrants within the province.

/c In addition, 170,000 families were identified that moved spontaneously.

Source: Official Summary of Repelita III Transmigration Program 1985, Ministry of Transmigration.

16. Program Development. In the course of Repelita III a number of adjustments were made in the implementation of the transmigration program:

- (a) site selection and evaluation were improved by the introduction of detailed planning and the involvement of the forestry agency and provincial governments in the selection process;
- (b) limitations on the food crop farm model were gradually acknowledged, and efforts were initiated to improve food crop production and to shift partly to tree crop schemes;
- (c) the importance of spontaneous migration was recognized and a Directorate was formed to promote unassisted migration, although no formal program was carried out in Repelita III; and
- (d) after five years of experimentation with multisectoral implementation, a new Ministry of Transmigration (MOT) was formed in March 1983 in response to difficulties of coordination.

17. Serious implementation problems also persisted. While the location of sites improved, detailed plans were not always available, land clearing was often of poor quality, road construction and maintenance standards were low,

and the supervision of contractors uneven. In the course of Repelita III, land for settlement based mainly on food crop development became increasingly difficult to find, and land for large-scale settlements in Sumatra was virtually exhausted. The provision of agricultural supporting services, including input supply, extension and credit, was inadequate; and no progress was made on programs to introduce tree crops to existing settlements. Perhaps most important, institutional arrangements for coordination, planning, budgeting, and monitoring and evaluation remained weak.

#### The Repelita IV Transmigration Program (1984-1989)

18. Concerned with the possibility of growing unemployment in Java, the Government called for the settlement of 750,000 families in Repelita IV. Of these, some 400,000 families were to be settled under fully sponsored programs and the rest were to move without assistance. Between April 1984, when Repelita IV began, and June 1986, about 154,000 families were moved on the sponsored program, and about 150,000 families were identified who had moved without financial assistance.

19. In January 1986 the Government made significant reductions in all development budgets in response to declining oil revenues. The overall development budget for the FY86/87 was cut by 22% and the budget for transmigration was initially cut by 56% of the previous year's budget. In May 1986, the MOT budget was further reduced to 38% of the FY85/86 figure. In response, MOT reduced its FY86/87 settlement targets from over 100,000 fully sponsored families to 36,000 families. To meet the annual target, it was assumed that the balance of movement would be from unassisted migrants.

#### B. Evaluation of the Transmigration Program to Date

##### Demographic Impact

20. Sponsored Migration. From 1950 to 1984, the Indonesian Government moved about one half million families to the outer islands. (The distribution of migrants by island is shown in Table 3.) Prior to Repelita III, the major islands received about the same proportion of transmigrants as their share of the total population. Approximately 65% of all transmigrants were sent to Sumatra, slightly more than Sumatra's 55% share of the outer island population, while Kalimantan and Sulawesi received approximately the same share of transmigrants as their share in the outer island population. Since 1980, Kalimantan and Irian Jaya have received a somewhat greater share of transmigrants as the proportion of transmigrants moving to the more crowded provinces of Sumatra and Sulawesi has declined. Kalimantan increased its share from 14% in the 1970s to 22% in the 1980s, and Irian Jaya increased from 1% to 4% during the same period. Between 1950 and 1984 about 19,000 families settled in Irian Jaya, about 3% of the total moved.

21. Spontaneous Migration. There is no direct record of spontaneous movement, but the 1980 census indicated that there were about 3.6 million people born in Java and living in the outer islands. About 1.1 million people from the outer islands were living in Java. This suggests an out-migration to in-migration ratio of about 3 to 1. The census also indicated that 868,000

people had moved from Java to rural areas in the outer islands during the 1975-80 period, while the number of sponsored migrants was about 250,000, a ratio of 2.5 spontaneous migrants to 1 sponsored. Causality cannot be inferred directly from these figures, but there is a strong association between the provinces to which sponsored migrants have been sent in the past and those to which spontaneous migrants later move. In total, some 7.3 million people in the outer islands in 1980 spoke an inner island language (Javanese, Sundanese, Madurese or Balinese), including about 6.7 million in rural areas, or 16% of the rural outer islands' population. Of these, perhaps 30% were sponsored migrants and their descendents.

Table 3: SPONSORED TRANSMIGRANT FAMILIES SETTLED SINCE 1950

	Sumatra	Kalimantan	Sulawesi/a	Irian Jaya	Total
1950/54	20,400	1,400	500	-	22,300
1955/59	28,900	2,600	700	-	32,200
1960/64	21,000	4,500	1,000	-	26,500
1965/69	16,500	2,100	2,700	300	21,600
1970/74	22,000	6,000	11,400	100	39,500
1975/79	33,000	11,000	9,000	2,000	55,000
1980/84	227,100	70,600	51,700	16,600	366,000
Total	<u>368,900</u>	<u>99,200</u>	<u>77,000</u>	<u>19,000</u>	<u>563,100</u>
Percent	65%	18%	14%	3%	100%

/a Includes the Moluccas and other small eastern islands.

Source: MOT documents.

22. Impact on the Inner Islands. Although sponsored migration in Repelita III moved only 1.5% of the total inner island population and 15% of the incremental population, the cumulative effect of movement at these rates is significant. If sponsored transmigration were maintained at the high Repelita III levels through the year 2000 <sup>2/</sup> and were accompanied by spontaneous migration at a rate of about 2 spontaneous migrants to 1 sponsored migrant, the population of Java in the year 2020 would be 21.5 million people (13%) less than without the program and transmigration would have absorbed 24% of the incremental labor force. If settlement levels are reduced to 200,000 families in Repelita IV and V, decline to 100,000 families in Repelita VI, and the previous assumptions were made about spontaneous migration, by the year 2020 the population of Java would be 9% less than without the program and the

<sup>2/</sup> About 300,000 families moved in Repelita IV and V declining to about 200,000 families in Repelita VI.