

Continuing Assistance for Infrastructure Development for Socio-economic Development in Indonesia

The Overseas Economic Cooperation Fund (hereinafter OECF: President, Chairman of the Board, Akira Nishigaki) today committed loans for 19 project loans (for the Tarahan Coal Fired Steam Power Plant Project, etc.) to the Republic of Indonesia for FY 1997 amounting to 195,248 million Japanese Yen. The Loan Agreements were signed by Mr. Akira Nishigaki and H.E. Wisber Loeis, Ambassador Extraordinary and Plenipotentiary of the Republic of Indonesia to Japan.

The cumulative total for OECF loan commitments to Indonesia now stands at 3,095.4 billion yen, for 584 commitments.

The 19 Project Loans committed today were all pledged by the Government of Japan at the CGI (Consultative Group on Indonesia) meeting in Tokyo in July of last year.

The amounts and conditions of the loans, with a description of each project, follow.

1. Loan Amount and Conditions

| Project | Amount (Mil. Yen) | Interest Rate (% p.a.) | Repayment Period /Grace Period (years) | Tying Status |
|---|-------------------|------------------------|--|----------------|
| Transmission Line Construction Project in Java-Bali (III) | 10,918 | 2.7 (2.3) | 30/10 | General-Untied |
| Tarahan Coal Fired Steam Power Plant Project | 34,023 | 2.7 (2.3) | 30/10 | General-Untied |
| Sumatra East Coast Highways Project | 6,652 | 2.7 (2.3) | 30/10 | General-Untied |
| Urban Arterial Roads Improvement in Metropolitan and Large Cities Project | 12,558 | 2.7 (2.3) | 30/10 | General-Untied |
| Railway Double Tracking of Cikampek-Cirebon Project (II) | 8,748 | 2.7 (2.3) | 30/10 | General-Untied |
| Depok Depot Construction Project | 9,223 | 2.7 (2.3) | 30/10 | General-Untied |
| Palembang Airport Development Project (I) | 8,826 | 2.7 (2.3) | 30/10 | General-Untied |
| Small Ports Development Project in Eastern Indonesia | 3,111 | 2.7 (2.3) | 30/10 | General-Untied |
| Dumai Port Development Project (II) | 3,819 | 2.7 (2.3) | 30/10 | General-Untied |
| Gadjah Mada University Development Project | 7,499 | 2.7 (2.3) | 30/10 | General-Untied |
| Medan Flood Control Project | 9,697 | 2.5*2 (2.1*2) | 30/10 | General-Untied |
| Ciliwung-Cisadane River Flood Control Project (I) | 17,326 | 2.5*2 (2.1*2) | 30/10 | General-Untied |
| Upper Citarum Urgent Flood Control Project (II) | 4,722 | 2.5*2 (2.1*2) | 30/10 | General-Untied |
| Way Sekampung Irrigation Project (III) | 9,216 | 2.7 (2.3) | 30/10 | General-Untied |
| Small Scale Irrigation Management Project (III) | 16,701 | 2.7 (2.3) | 30/10 | General-Untied |
| Rural Areas Infrastructure Development Project (II) | 29,738 | 2.7 (2.3) | 30/10 | General-Untied |
| Upper Cisokan Pumped Storage HEPP Project (E/S) | 1,436 | - (2.3) | 30/10 | General-Untied |
| Gilirang Irrigation Project (E/S) | 617 | - (2.3) | 30/10 | General-Untied |
| Legal Metrology System Development Project (E/S) | 418 | - (2.3) | 30/10 | General-Untied |
| Total 19 projects | 195,248 | | | |

2. Characteristics of FY97 OECF Loans to Indonesia

(1)Continuing contribution to infrastructure development

OECF assistance to Indonesia, which started in 1968, has historically stressed Project loans, principally in the areas of transportation, electric power and flood control/irrigation, aimed at improvement of basic infrastructure, and these three sectors account for approximately 50% of all project loans to date. That assistance has contributed significantly to economic development in Indonesia.

Responding to the currency crisis, GOI is addressing the problem of structural adjustment of the economy, assisted by the International Monetary Fund (IMF), the World Bank and other donors. Japan, for its part, contributes to this process, including the offer of an OECF loan additional to this FY97 package, communicated by Prime Minister Ryutaro Hashimoto to Mr. Ali Alatas, Minister of Foreign Affairs of the Republic of Indonesia in December 1997 for the purpose of supporting the structural adjustment efforts being made by GOI. The OECF loan assistance committed today, extended principally in the area of infrastructure development, will also contribute, in the mid-to-long term, to strengthening of the foundation for economic development in Indonesia. As in past years, the FY97 OECF Loan package continues to give priority to the above-mentioned three sectors, which account for 81% (16 projects; 157.6 billion yen) of the total commitment.

Loans by Sector (including 1997 OECF Loans)

| Sector | Number of commitments | Aggregate Amount (Million Yen) | Percentage (%) |
|-------------------------------------|-----------------------|--------------------------------|----------------|
| Transportation | 148 | 750,160 | 24.2 |
| Commodity Loans | 22 | 637,118 | 20.6 |
| Electric Power and Gas | 126 | 580,421 | 18.8 |
| Irrigation and Flood Control | 84 | 357,507 | 11.5 |
| Social Services | 59 | 293,939 | 293,939 |
| Mining and Manufacturing | 65 | 227,741 | 7.4 |
| Telecommunications | 54 | 144,242 | 4.7 |
| Agriculture, Forestry and Fisheries | 18 | 64,540 | 2.1 |
| Others | 9 | 48,851 | 1.6 |
| Total | 584 | 3,095,379 | 100.0 |

(2) Contribution to Rural Area Development

In Indonesia, there is a great need for economic development outside Java and Bali, which are relatively developed, in order to rectify regional disparities. GOI is promoting infrastructure development in rural areas, such as Eastern Indonesia. The FY97 OECF Loans include 4 projects for Eastern Indonesia development. Of these 4 projects, the Rural Areas Infrastructure Development Project (II) is particularly significant, with wide-ranging effects expected from the development of access roads and water supply infrastructure in more than 30,000 villages outside Java and Bali. This Loan follows the Phase I loan committed in FY 1994 (Loan Amount : 21,000 million Japanese Yen).

(3) Coordination with JICA

The Japan International Cooperation Agency (JICA) assisted in the formulation of Master Plans and Feasibility Studies for 11 of the 19 projects committed today. Further coordination between OECF and JICA assistance will be considered in the implementation stage of projects.

(4) Largest Donor

Yen Loan commitments to Indonesia, which began in 1968, have now been made for a total of 584 projects, valued at approximately 3.1 trillion (cumulative, commitment basis). This is equivalent to 20% of all Yen loans, making Indonesia the largest recipient of Yen loans. For the last four years (beginning fiscal 1994), OECF has been the top ODA donor to Indonesia.

3. Project Descriptions

(1) Transmission Line Construction Project in Java- Bali (III)

While electricity demand is increasing rapidly in Indonesia, the country's electricity supply system (generation, transmission and distribution) is still inadequate. Indonesia's 6th Five-Year Development Plan states that construction of transmission and distribution lines to give an adequate and reliable supply system is an urgent task, along with construction of new power plants. Electricity demand in Java-Bali region grew at an average rate of more than 10% per year in the 5 years to 1995, and in order to cope with the growing electricity demand in this region, additional high voltage transmission lines along the south coast are needed to supplement the existing ones.

The Loan is extended to cover the cost of construction of 500 kV extra-high-voltage transmission lines between the power-generating areas in Eastern Java, including the Paiton Coal Fired Power Plant, and the major power-consuming areas in Western Java. This project is expected to contribute to efficient transmission of power and improved reliability of the transmission system. The Loan also covers the cost of the related substations and consulting services.

This loan follows previous loans for the Transmission Line Construction Project in Java-Bali (Loan Agreement: December of 1995; Loan amount: 17,037 million Japanese Yen) and the Transmission Line Construction Project in Java-Bali (II) (Loan Agreement: December of 1996; Loan amount: 2,840 million Japanese Yen).

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(2) Tarahan Coal Fired Steam Power Plant Project

Electricity demand in South Sumatra and Lampung Provinces accounts for approximately 40% of that of the whole of Sumatra, and has been increasing at an average rate of more than 10% per year. To meet the growing electricity demand, a plan has been drawn up calling for the construction of additional power plants with an installed capacity of approximately 2,900 MW in various parts of Sumatra by the end of fiscal year 2003. This project is part of that electric power development plan.

This project is to construct a coal-fired steam power plant (total capacity 200 MW : 100MW X 2 units) for base-load operation and related transmission lines in order to cope with the above demands. This project is expected to increase the efficiency of the existing power supply system, which is currently dependent on comparatively inefficient power sources, such as diesel power plants and small-scale gas turbine power plants, and also to improve the reliability of power supply. In addition, in consideration of the environmental aspects, the Circulating Fluidized Bed Boiler has been adopted for this power plant, for the first time in Indonesia, in order to minimize the amounts of SOx and NOx discharged in the process of power generation.

The Loan is extended to cover the cost of civil works, construction of generators and related facilities.

This Loan follows the loan for Engineering Services for Tarahan Coal Fired Steam Power Plant Project (Loan agreement : November of 1993; Loan amount: 532 million Japanese Yen).

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(3) Sumatra East Coast Highways Project

Road sector development in Indonesia has been carried out with the highest priority given to maintenance and improvement of existing roads. As a result of the effort to date, the existing national road network is relatively well maintained. However, the condition of roads along the eastern coast of Sumatra needs to be improved, reflecting the relatively low level of development of this area. This situation is seen as a serious bottleneck to development in Sumatra.

The purpose of this project is to increase traffic capacity and enhance development of the region by improving the existing main roads between Ketapang and Menggala (approximately 170km). The project will greatly improve traffic linkage between Java and major cities located along the eastern coast of Sumatra.

The Loan is extended to cover the cost of civil works and consulting services.

The Feasibility Study (F/S) for this project was carried out by The Japan International Cooperation Agency (JICA).

Executing agency : Directorate General of Highways, Ministry of Public Works

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(4) Urban Arterial Roads Improvement in Metropolitan and Large Cities Project

In the last decade, Jakarta and other major cities in Indonesia have achieved rapid economic growth. On the other hand, this urban expansion has resulted in serious traffic jams due to the increasing traffic volumes. Measures have to be taken urgently, particularly at intersections where traffic volume exceeds 40,000 pcu/day, and even more so, where it is as high as 100,000 pcu/day. As further increase in the traffic volume on toll roads in the Jabotabek area is expected after the inauguration of the Jakarta Outer Ring Road in 2000, a traffic information system for toll roads in this area is clearly essential.

The purpose of this project is to alleviate the traffic congestion in the Jabotabek area by constructing six fly-overs at intersections where control capacity is exceeded and carrying out engineering services for a traffic information system on toll roads.

The Loan is extended to cover the cost of civil works and consulting services (consulting services for fly-overs and engineering services for the Jabotabek Toll Road Traffic Information System.)

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(5) Railway Double Tracking of Cikampek-Cirebon Project (II)

The Java North Line (726km), the shortest route connecting Jakarta and Surabaya, is one of the most important trunk lines in Indonesia's railway sector, like the Java South Line and the Bandung Line. Most of the line is single-track, except for the section between Bekasi and Cikampek (57km). The section between Cikampek and Cirebon (135km), which is currently single-track, is the busiest section, as trains for the Java South Line, which connects with the North Line at Cirebon, also run on this section, so that the section needs to be double-tracked as soon as possible.

The purpose of the project is to improve safety, punctuality, and rapidity of train operations between Cikampek-Cirebon on the Java North Line by carrying out construction works and consulting services needed for double tracking.

The Loan is extended to cover the cost of construction works and consulting services.

This loan follows the loan for the Railway Double Tracking of Cikampek-Cirebon Project (Loan Agreement: November 1994; Loan amount: 3,302 million Japanese Yen).

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(6) Depok Depot Construction Project

The Government of Indonesia has been striving to improve and modernize Jabotabek Railways, an important inner-urban and suburban traffic mode. The number of passengers is increasing rapidly and the Government of Indonesia is going to increase the number of electric railcars in order to strengthen the transport capacity of Jabotabek Railways.

The purpose of this Project is to give adequate capacity for maintenance and inspection of electric railcars by constructing a new depot in Depok, near Jakarta. The Loan is extended to cover the cost of construction works and consulting services.

The Master Plan (M/P) for this project was drawn up by JICA.

Executing Agency : Directorate General of Land Communications, Ministry of Communications Address : Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia,
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(7) Palembang Airport Development Project (I)

Palembang Airport is located in Palembang City, the capital of South Sumatra Province, with a population of around 2 million. While the volumes of domestic passengers, international passengers and air freight at the airport are increasing, following the economic development in the province, the airport terminal is old and does not have enough capacity to cope with the growing number of flights. Hence, this is to be addressed. At the same time, in order to ensure the safety of airport operations, the runways need to be improved.

The purpose of this project is to cope with the increasing traffic volumes by extending and improving the runways and constructing necessary facilities at the airport, such as a passenger terminal and a cargo terminal.

The Loan is extended to cover the cost of construction works and consulting services.

The Master Plan (M/P) for this project was drawn up by JICA.

Executing Agency : Directorate General of Air Communications, Ministry of Communications

Address : Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia,
TEL : +62-21-3505136, FAX : +62-21-3505135

(8) Small Ports Development Project in Eastern Indonesia

Of the 556 non-commercial ports in Indonesia, 377 are located in Eastern Indonesia, and most of them are small. Sea transportation being the most important method of transportation for the population in Eastern Indonesia, the Government of Indonesia is assisting some important shipping routes by providing subsidies. On the other hand, however, most of these small ports, which receive special treatment from the Government, still face the problems of inadequate efficiency and safety of port operations, due to the inadequacy of their facilities, such as wharves and forklifts.

The purpose of this project is to improve efficiency and safety in the operation of twelve small non-commercial ports located in Eastern Indonesia (6 ports in Irian Jaya Province, and 3 ports each in Maluku and East Nusa Tenggara Provinces), by providing needed port facilities and equipment such as wharves and forklifts.

The Loan is extended to cover the cost of construction works and consulting services.

The Master Plan (M/P) for this project was drawn up by JICA.

Executing Agency : Directorate General of Sea Communications, Ministry of Communications

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(9) Dumai Port Development Project (II)

Dumai Port, located 130km north of Pekanbaru, the capital of Riau Province, is one of the most important ports in Indonesia and deals with the largest volumes in the province. While the volumes handled at this port (mainly palm oil from Riau and North Sumatra Province) are increasing remarkably (the average annual increase in the last 5 years for handling volume of total cargoes is 32.2% and that of palm oil 64.2%), the facilities at this port are inadequate to cope with the growing demand, and therefore, the operation of this port is becoming increasingly inefficient.

The purpose of this project is to meet the increasing demand at this port, improve the efficiency of the port and thus contribute to development of the economy of the region, by means of improving the relevant port facilities, such as extension of the existing general cargo wharf and the construction of new palm oil berths.

The Loan is extended to cover the cost of construction works and consulting services.

The Feasibility Study (F/S) for this project was carried out by JICA.

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(10) Gadjah Mada University (UGM) Development Project

Gadjah Mada University, the oldest and largest state university in Indonesia, with approximately thirty-five thousand students currently enrolled in eighteen faculties, plays an important role as a center for higher education and research activities, not only in Yogyakarta, where UGM is located, but throughout Indonesia.

In Indonesia, which is pursuing further socio-economic development, the demand for science graduates is increasing rapidly, while the supply remains insufficient. Under these circumstances, UGM, as a model university, is required to enhance its capacity in respect of both quality and quantity, and is expected to contribute to the higher education of Indonesia as a whole.

This project is aimed at strengthening UGM, as a center for higher education, in particular its Medical and Agricultural Faculties through development of facilities and training of teaching staff in the University's 7 faculties in those fields, thus raising the level of education and research in Indonesia.

The Loan is extended to cover the cost of construction of buildings, procurement of equipment and furniture, fellowship programs, consulting services and technical assistance.

Executing Agency : Directorate General of Higher Education, Ministry of Education and Culture Address : Jl. Raya Jenderal Sudirman Pintu I, Senayan, Jakarta Selatan, Indonesia, TEL : +62-21-5731903, FAX : +62-21-5731988

Executing Agency : Gadjah Mada University

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(11) Medan Flood Control Project

Medan City, the capital of North Sumatra Province, with a population of around two million, and thus the third-largest city in Indonesia, is a center of economic and social activity in West Indonesia. However, the city has suffered frequent flood damage in the rainy season, owing to the inadequate flood-control and drainage capacities of the Deli and Percut Rivers running through the city. The worst flood damage in recent years occurred in November 1990, when 4,500 ha along the Deli River were seriously affected by major flooding. It is, thus, urgently necessary to implement drastic measures to reduce flood damages in the city and its vicinity, so that they may continue to enjoy socio-economic development.

The purpose of this project is to protect Medan City from flooding by construction of a bypass floodway (length 4km) in Medan and river bank reinforcement (length 30km) on the

Percut River and the upper Deli River.

The Loan is extended to cover the cost of construction works and consulting services.

The Feasibility Study (F/S) and the Engineering Services (E/S) for this project were carried out by JICA.

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(12) Ciliwung - Cisadane River Flood Control Project (I)

DKI Jakarta, the capital of Indonesia, with a population of around ten million, together with its surrounding areas, is the center of economic activities in Indonesia. However, these areas have suffered from frequent flood damage in the rainy season owing to the inadequate flood-control and drainage capacities on the Ciliwung River, which runs through the city of Jakarta. In January and February 1996, 60 thousand and 90 thousand houses, respectively, were damaged. It is, therefore, urgently necessary to implement drastic countermeasures to reduce flood damage so that Jakarta and its environs may enjoy socio-economic development.

The purpose of this project is to protect the central and western parts of DKI Jakarta and the areas along the lower Cisadane River in West Java Province from flooding by construction of a bypass floodway in Bogor from the upper Ciliwung River to the Cisadane River, river bank reinforcement (length 15km) on the lower Cisadane River and establishment of a warning system.

The Loan is extended to cover the cost of construction works and consulting services.

The Feasibility Study (F/S) for this project was carried out by JICA.

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(13) Upper Citarum Basin Urgent Flood Control Project (II)

The Citarum River, which runs through Bandung City, the capital of West Java Province, is one of the largest rivers in Java. In the rainy season, parts of south Bandung have been flooded by the river, and the magnitude of the flood damage is increasing, reflecting the rapid urbanization of Bandung. In March 1986, 7,200 ha along the river were seriously affected by large-scale flooding. In these circumstances, it is urgently necessary to implement continuous countermeasures to reduce the flood damages so that the region may enjoy socio-economic development.

The purpose of this project is to protect Bandung from flooding by river bank reinforcement works (length 40km) on the Citarum, Citarik, Cikeruh and Cisaranten Rivers.

The Loan is extended to cover the cost of construction work and consulting services.

The Feasibility Study (F/S) for this project was carried out by JICA, and this loan follows previous loan for the Upper Citarum Basin Urgent Flood Control Project (I) (Loan Agreement : November of 1993; Loan amount : 3,165 million Japanese Yen).

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(14) Way Sekampung Irrigation Project (III)

Indonesia attained self-sufficiency in rice in 1984. However, further investment to expand rice production is needed because of growing rice consumption resulting from population growth, rising incomes and the shrinking paddy field acreage in Java (rice production in 1995 : 32,409 thousand tons; rice consumption in 1995 : 34,227 thousand tons).

The purpose of this project is to increase rice production and raise the living standards of farmers in Lampung Province through construction of irrigation facilities. Rice production is expected to increase as a result of implementation of this project (from 5.3 tons / ha to 6.5 tons / ha in the rainy season, and from 4.4 tons / ha to 5.5 tons / ha in the dry season).

The Loan is extended to cover the cost of civil works and consulting services.

OECF assisted the development of this project in the initial stage by extending Special Assistance for Project Formation (SAPROF) in 1991.

This Loan follows previous loans for the Way Sekampung Irrigation Project (I) (Loan Agreement : October of 1992; Loan amount : 7,653 million Japanese Yen) and the Way Sekampung Irrigation Project (II) (Loan Agreement : November of 1994; Loan amount : 16,210 million Japanese Yen).

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(15) Small Scale Irrigation Management Project(III)

The Government of Indonesia attaches great importance to development in Eastern Indonesia, aiming at reducing regional gaps within the country. OECF has already provided two loans for small-scale irrigation facilities construction in order to raise the living standard of farmers in the areas concerned. However, further development of irrigation facilities is needed.

The purpose of this project is to increase rice production in Eastern Indonesia (for example, in Nusa Tenggara and other provinces in Eastern Indonesia) through construction of irrigation facilities, such as dams, weirs and pumps for ground water use (total irrigated area : 26,000ha).

This project will improve the existing irrigation systems, increase agricultural production and create new employment opportunities. As a result of implementation of this project, average rice production is expected to increase from 2 tons / ha to 5 tons /ha.

The loan is extended to cover the cost of civil works and consulting services for 10 sub-projects, such as the Batu Bulan Dam Project in West Nusa Tenggara Province.

Earlier, OECF extended Special Assistance for Project Formation (SAPROF) for this project in 1988. This Loan follows previous loans for the Small Scale Irrigation Management Project (I) (Loan Agreement : December of 1989; Loan amount : 1,896 million Japanese Yen) and the Small Scale Irrigation Management Project (II) (Loan Agreement : November of 1994; Loan amount : 8,135 million Japanese Yen).

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(16) Rural Areas Infrastructure Development Project (II)

In Indonesia, the population below the poverty line as defined by the Government of Indonesia is estimated to have been approximately 22 million in 1996. Indonesia's 6th Five-Year Development Plan (1994 - 1998) makes poverty alleviation is one of the most important policy goals to achieve growth of the Indonesian economy, as well as greater equity among the nation's people.

The purpose of this project is to contribute to reducing poverty through self-sustaining development of villages by constructing and improving village access infrastructure, such as roads, jetties and piers, and water supply infrastructure in backward villages.

The loan is extended to cover the cost of construction and improvement of infrastructure for village access and facilities for water supply and consulting services.

This loan follows the loan for the Rural Areas Infrastructure Development Project (Loan Agreement: November 1994; Loan amount: 21,000 million Japanese Yen).

Coordinating Agency : Bureau of Regional District and Rural Development , National Development Planning Agency
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(17) Engineering Services for Upper Cisokan Pumped Storage HEPP Project

To cope with the increasing electricity demand in the Java-Bali region, plan was drawn up for additional power plants with an installed capacity of approximately 20,000 MW by the year 2005. Most of these power plants will be base-load-type power plants operated by IPP (Independent Power Producers). On the other hand, it is anticipated that future electricity demand in Indonesia will shift to the so-called 'daytime peak' type from the night lighting peak type. To deal with this change, construction of peak-load-type power plants is necessary.

This project comprises engineering services (detailed design, preparation of tender documents, etc.) for the construction of a pumped storage HEPP with a total capacity of 1,000 MW (250MW X 4 units), upstream on the Cisokan River in West Java.

The loan is extended to cover the cost of engineering services.

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(18) Engineering Services for Gilirang Irrigation Project

Indonesia attained self-sufficiency in rice in 1984. However, further investment to expand rice production is needed because of the growing rice consumption resulting from population growth, rising incomes and the shrinking paddy field acreage in Java.

This project comprises engineering services (detailed design for the proposed dam, irrigation and drainage system for 6,500ha in the Gilirang Irrigation Project area) for increasing rice production in South Sulawesi Province. The estimated rice crop yield per ha is expected to increase by the implementation of this project (from 3 tons / ha to 6 tons / ha in the rainy season, and from 4 tons / ha to 6 tons / ha in the dry season).

The Loan is extended to cover the cost of engineering services.

The Feasibility Study (F/S) for this project was carried out by JICA.

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(19) Engineering Services for Legal Metrology System Development Project

Legal Metrology regulates various kinds of measuring instruments, such as mass meters, watt hour meters and flow-rate meters used in commercial transactions in maintaining fair dealing, manometers and thermometers for human health care, and density meters and noise meters for protection of the environment. In Indonesia, the percentage (capture rate) for measuring instruments actually verified to that of those required under the present Metrology Law is estimated to be just above 50%. Thus, it is necessary to improve the implementation of the present metrology law.

This project comprises engineering services (detailed design, preparation of tender documents, etc.) for upgrading the verification facilities and establishing training programs for verification officers.

The Loan is extended to cover the cost of engineering services.

The Master Plan (M/P) for this project was drawn up by JICA.

Executing Agency : Directorate General of Domestic Trade, Ministry of Industry and Trade

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