

JBIC EXTENDS TWO ODA LOANS TO INDONESIA

--To Support Maritime Education-Training and Improve the Rail Network in Java--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) today will sign two ODA loan agreements amounting 48,703 million yen for Indonesia, with the Government of the Republic of Indonesia at its head office in Tokyo. (The signing is scheduled for 16:00 hours.)
2. These two ODA loans are for the Maritime Education and Training Improvement Project and Special Yen (ODA) financing for the Railway Electrification and Double-double Tracking of Java Main Line Project (I). The former project aims at improving maritime education by installing training equipment and improving education and training in compliance with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers 95 (STCW95) in Indonesia. The country is the world's largest archipelago and second largest supplier of seafarers after the Philippines. The Railway Electrification and Double-double Tracking of Java Main Line Project (I) aims at installing additional double tracks to separate long-distance and commuter rails and to electrify the extension of suburban rail lines to meet the needs of expanding commuting areas. This is the country's first project to be financed by a Special Yen Loan facility in view of the fact that Japanese rail technology may be applicable to this project.
3. JBIC laid out the "Medium-Term Strategy for Overseas Economic Cooperation Operations" in December 1999, which focused on assistance for Indonesia in the following two areas: (1) In the short term, JBIC will, with the collaboration of multilateral agencies, provide support for improving the balance of payments, helping the socially vulnerable and reforming the economic structure in order to support recovery from the economic crisis and promote social and economic stability. (2) In the medium term, JBIC will support economic development by targeting social stabilization through reduction of the population in poverty, environmental conservation measures, education and human resource development, social and economic infrastructure improvement and structural adjustment, with due consideration for the country's debt repayment capacity. JBIC support for Indonesia is shifting its focus from short-term remedies in response to the economic crisis to medium- to long-term projects for sustainable development. These two ODA loans constitute support looking toward the medium-term horizon. With the Special Yen Loan facility, the Railway Electrification and Double-double Tracking of Java Main Line Project (I) will contribute to an efficient transportation system.

Notes1: The International Convention on Standards of Training, Certification and Watchkeeping for Seafarers 95 (STCW95) was a substantial amendment to the original STCW adopted by the International Maritime Organization (IMO) in 1978 and entered into force in 1997. STCW 95 shall be applied to all the seafarers in parties to the convention in February 2002 after interim period.

2: Loan appraisal for the Maritime Education and Training Improvement Project was conducted in September 2000 and for the Railway Electrification and Double-double Tracking of Java Main Line Project (I) in June 2000 respectively. Therefore, these projects were not subject to the Ex-Ante Evaluation Report. (Ex-Ante Project Evaluation Reports on projects for which appraisals were conducted after April 1, 2001 are made available to the public.)

(See Appendix for details.)

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1. Loan Amount and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Tying Status	
		Goods and Services	Consulting Service	Goods and Services	Consulting Service	Goods and Services	Consulting Service
Maritime Education and Training Improvement Project	7,669	0.75*	0.75*	40/10	40/10	Bilateral tied	Bilateral tied
Railway Electrification and Double-double Tracking of Java Main Line Project (I)	41,034	0.95**	0.95**	40/10	40/10	Japanese tied	Bilateral tied
Total	8,090						

* Special Interest rate for human resources development

**Interest rate for Special Yen (ODA) Loans

2. Background and Necessity of the Loan

Indonesia was one of the countries hardest hit by the Asian currency crisis, which started in July 1997 with the depreciation of the Thai baht. Real GDP contracted by as much as 13.1 percent in fiscal 1998, dealing a major social and economic blow to the country. Under these circumstances, JBIC extended assistance for the period of three years to bolster the balance of payments and build up a social safety net for the socially disadvantaged who were most vulnerable to the impact of economic downturn. Subsequently the economy turned around, registering a positive growth of 0.8 percent in 1999, and 4.8 percent in 2000 due to a rebound in exports, helped, among others factors, by increasing oil prices. However, amid downward pressure on the rupiah and emerging concern for inflation, Indonesia still faces an uphill battle before achieving stable development. Under these circumstances, JBIC decided to support these two projects, upon request from the Government of Indonesia, as they are deemed effective in laying the groundwork for medium- to long-term economic development in Indonesia.

3. Brief Description of Projects

(1) Maritime Education and Training Improvement Project

Indonesia is the world's largest archipelago nation with brisk shipping activity in domestic and international waters. As of 1995, there were more than 80 thousand certified seafarers of Indonesian nationality. This amounted to slightly less than 7 percent of the overall total in the world, and Indonesia is the second largest supplier of seafarers after the Philippines. In 2002 the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers 95 (STCW95) is expected to come into full force, and maritime training in compliance with standards set forth in this convention is called for. This project supports the country for building an urgently needed maritime education and certification system in compliance with STCW95.

The proceeds of the loan will be used for improving maritime education and training at various maritime training institutes across Indonesia, procuring and installing training equipment, and expanding school buildings and consulting services (including assistance in procurement and work implementation supervision).

In the past, experts dispatched by Japan International Cooperation Agency (JICA) have conducted technical transfer pertaining to education and training for seafarers. Thus this project is supported by and based on the partnership between an ODA loan provision and technical cooperation activity.

The executing agency is Education and Training Agency, Ministry of Communications.

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(2) Railway Electrification and Double-double Tracking of Java Main Line Project (I)

The Thai economy posted a negative real GDP growth rate of 10.8% in the wake of the currency crisis in 1998, but headed for recovery in the latter half of 1999 to record a positive growth of 4.2% for the year. The economy continued to show resilient recovery in 2000, and in June 2000, the IMF announced the termination of Thailand's Stand-By Arrangement. The major driving force behind the Thai economy in 2000 was exports, and the real GDP growth was 4.4% in 2000. In 2001, however, the slowdown in the US economy and the stagnant Japanese economy have led to a reduction in exports, and the real GDP growth remained at a low 1.8% in the January to March quarter and 1.9% in the April to June quarter on a year-to-year basis. The events of September 11 have further delayed economic recovery in the U.S., and with uncertainties about future tourism revenue and domestic consumption, the GDP growth for 2001 is expected to remain at a low level.

4. Description of the Project

Second Mekong International Bridge Construction Project

(1) Background and Necessity of the Project

The number of trains running on the Java Main Line is expected to rise along with the growing traffic demand in the capital of Jakarta. For the segment of the Bekasi Line (Manggarai Station - Bekasi Station), however, the Java Main Line (a long-distance train route) and the Jabotabek Line (a commuter train route) share the same track and largely absorb its track capacity, thus leaving little room for the future expansion of transportation. In addition, the Bekasi Line level crosses, near Manggarai Station, with the Central Line that has the highest number of trains among transit lines in the suburban area, causing another hindrance to the future traffic enhancement.

This is the first Special ODA Loan Project for Indonesia and will increase capacity and improve efficiency of transportation by installing additional double tracks to separate long-distance and commuter rails on the Bekasi Line, as well as by eradicating level-crossing of the Bekasi Line and Central Line. It will also electrify and extend the commuter rail segment from Bekasi to Cikarang Station to meet the needs of expanding the commuting areas accompanied by the construction of industrial complexes and residential land development.

The proceeds of the loan will finance Double-double tracking of the segment between Manggarai Station and Bekasi Station, electrification of the segment between Bekasi Station and Cikarang Station, and related equipment and consulting services (procurement assistance and work implementation supervision).

The implementation of this Project will be supported by partnership with Japan International Cooperation Agency (JICA), which will carry out detailed designing of this project.

The executing agency is Directorate General of Land Communications, Ministry of Communications.

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