

## **49,088 Million Yen Special ODA Loan for Indonesia** **--Supporting the South Sumatra-West Java Gas Pipeline Project--**

---

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today a special ODA loan agreement in the amount of up to 49,088 million yen with the Government of the Republic of Indonesia at its head office. [1] The proceeds of the loan will be used for the South Sumatra-West Java Gas Pipeline Project to be undertaken by PT Perusahaan Gas Negara (Persero) (PGN), a state-owned gas enterprise in Indonesia.
2. The South Sumatra-West Java Gas Pipeline Project aims at constructing the natural gas pipelines as the main infrastructure for transporting natural gas produced in the gas fields of Sumatra Island to West Java and for developing a natural gas supply network in West Java. The proceeds of the loan will be used for procurement of equipments and materials, civil works, and consulting services related to supervision of implementation as well as operation and maintenance of the project.
3. Western Java embracing the metropolitan Jakarta has been the country's largest market for the consumption of natural gas. While gas supplies to this region have traditionally come from West Java offshore gas fields, depleting gas reserves there have led to declining production in recent years, raising the prospect of supply shortages in the near future. This Project aims at linking West Java with Sumatra Island where there is still room for additional supplies. It will thereby address projected supply shortages in this region and, at the same time, promote efficient use of resources by making effective use of unused natural gas in Sumatra.
4. In addition, after the new oil and gas law came into force in November 2001, eliminating the monopoly of state-owned enterprises and adopting market mechanism through private participation in the oil and natural gas sector have been on the country's policy agenda. In this context, the Project will lead to developing main gas pipelines and fostering a competitive energy sector.

(See Appendix for Details)

---

[1] A special ODA loan is a concessional lending facility established in December 1998 with a focus placed on Asian economies. It will provide support to meet financial needs for, among others, infrastructure development, while increasing opportunities for Japanese firms to participate in the loan-financed project.

## 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Project	Consulting Services	Project	Consulting Services	Project	Consulting Services
South Sumatra-West Java Gas Pipeline Project	49,088	0.95*	0.75**	40/10	40/10	Japan Tied	Bilateral Tied

\* Interest rate applicable to special ODA loans

\*\* Interest rate applicable to special environmental projects

## 2. Description of the Project

### (1) Outline

Construction of pipelines to transport natural gas produced at gas fields in Sumatra to Java. 270 kilometers overland and 105 kilometers underwater from Pagardewa to Cilegon with pipes of a diameter of 32 inches and 129 kilometers overland from Cilegon to Cimanggis with pipes of a diameter of 24 inches. Developing gas supply networks in West Java (in the vicinity of Cilegon).

### (2) Background and Necessity of the Project

Indonesia is one of the countries most severely affected by the Asian currency crisis that set off with a plunge of the Thai baht in July 1997. Its real GDP plummeted by 13.1% in fiscal 1998, dealing a major blow to the economy and society. Subsequently the economy bottomed out in 1998 and recovery set in, with real GDP growing 0.8% in 1999. Real GDP also registered a growth of 4.9% in 2000, driven by private consumption, 3.4% in fiscal 2001 and 3.7% in fiscal 2002.

However, if the economy is to go beyond such performance toward the path of sustainable economic growth, there are still substantial needs for economic infrastructure development. From this perspective, JBIC has decided to support this Project upon request from the Government of Indonesia in view of its significant development impacts and contribution to medium- and long-term development.

The executing agency is PT Perusahaan Gas Negara (Persero) (PGN) (Address: Jl. K.H. Zainul Arifin No.20, Jakarta 11140, Indonesia, TEL: +62-21-6334838, FAX: +62-21-6333080).