

JBIC Provides FY2003 ODA Loan Package for Indonesia

--Supporting the Economic and Social Development of Indonesia by Improving Investment Environment--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today eight ODA loan agreements totaling 119,641 million yen for the Republic of Indonesia.
2. Indonesian economy deteriorated in the years immediately following the Asian currency crisis. Since August 2001, however, with the inauguration of the Megawati government, tenacious efforts have been made in fiscal and economic reforms. Indonesian economy made a turnaround in 2000 due to robust private consumption, primarily that of durable goods, and has since been registering a moderate growth ranging 3~4%. In addition, Indonesia successfully completed the IMF Program in December 2003. On the other hand, overseas investments flowing into the country still remains lower than the pre-crisis level. If Indonesia is to maintain sustainable economic growth into the future, it is crucial to improve the investment environment and boost the private investment from home and abroad.
It is against this background that JBIC placed one of its priorities on the economic infrastructure development of Indonesia, which will contribute to upgrading the investment environment of the country. The loan signed today is thus expected to help improve the investment environment, promote the private investment that will drive the growth, thereby contributing to the economic and social stability of Indonesia.
3. The highlights of this year's ODA loan package for Indonesia are as follows:
(1) Application of "Special Terms for Economic Partnership (STEP)"[1]

"Special Terms for Economic Partnership (STEP)" were established in March 2002 to encourage "aid that is identifiably Japanese" by drawing on advanced technology and knowledge possessed by Japan and transferring technology to the developing countries. These Terms have been available since July 2002.

"Lahendong Geothermal Power Plant Project" constitutes the construction of a power plant with 20MW-rated capacity that makes efficient use of geothermal energy, one of the renewable power sources. Geothermal power generation technology is one area where Japanese companies boast superiority (with Japanese firms accounting for a 80~90% of the market share). The project will thus provide "aid with a distinct Japanese profile" by drawing upon advanced technology possessed by Japan.

(2) Supporting economic infrastructure development that helps improve the investment environment

This year's ODA loan package will finance the economic infrastructure development in the power and physical distribution sectors, in a bid to upgrade the investment environment, thereby boosting the private investment.

In the power sector, ODA loans will support three projects, which are aimed at meeting ever growing power demand (which is projected to increase by the average rate of 6.8% through 2010), thereby stabilizing the supply-demand situation. Similar to "Lahendong Geothermal Power Plant Project" mentioned above, "Tanjung Priok Gas Fired Power Plant Extension Project" is intended to newly construct a gas combined cycle power generation equipment with a total capacity of 720MW, plus three turbines. Meanwhile, "Semarang Power Plant Rehabilitation and Gasification Project" aims to rehabilitate and gasify the existing power station equipment (rated capacity: 200MW).

In the physical distribution sector, ODA loans will support five projects in the land, ocean and air transportation fields.

A. Land Transportation

- "Railway Double Tracking on Java South Line (2)" aims at increasing transport capacity and ensuring punctual as well as high-speed train operations, by doubling the railroad track in the Kutoarjo-Yogyakarta portion (64km).

B. Sea Transportation

- "Maritime Telecommunication System Development Project (VI)" aims at developing the marine accident control/marine salvage system, and putting in place anti-pirate/maritime terrorism prevention measures, by setting up 37 radio stations in total along the Indonesian coast, a point of strategic importance in the sea traffic providing linkage to East Asia, Europe and Middle East.

- "The Urgent Rehabilitation Project of Tanjung Priok Port" aims at greater shipping efficiency of the sea port, which is the only international port in West Java, by expanding the ship course (125m-wide one-way traffic-->300m-wide two-way traffic), conducting dredging (deeper down to 14m-depth), and others.

- "Rehabilitation and Improvement Project of Jakarta Fishing Port" aims at maintaining capacity of the existing facilities by renovating both east and west piers (stretching 1,349m) of Jakarta Fishing Port (whose development has been financed by Japanese ODA loans since 1979), Jakarta's kitchen for blessings from the ocean.

C. Air Transportation

- "Surabaya Airport Construction Project (II)" aims at preparing for the growing air transportation demand in the future by constructing airport facilities such as a passenger terminal (planned annual handling capacity: some 6 million passengers and 120,000t goods).

(See Appendix)

[1] Loan conditions, including interest rate and loan period, are more favorable for the borrower than the ordinary ODA loan conditions.

Loan Amount and Terms

Project Name	Amount (mil. yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period (years)	Procurement
Tanjung Priok Gas Fired Power Plant Extension Project	58,679	1.3	30^10	General Untied
Plant Rehabilitation and Gasification Project	8,685	0.75*	40^10*	General Untied
Lahendong Geothermal Power Plant Project	5,866	0.75**	40^12**	Tied
Railway Double Tracking on Java South Line (II)	10,348	1.3	30^10	General Untied
Rehabilitation and Improvement Project of Jakarta Fishing Port	3,437	1.3	30^10	General Untied
Maritime Telecommunication System Development Project (IV)	5,567	1.3	30^10	General Untied
The Urgent Rehabilitation Project of Tanjung Priok Port	12,052	1.3	30^10	General Untied
Surabaya Airport Construction Project (II)	15,007	1.8	30^10	General Untied

*JBIC's overseas economic cooperation operations apply lower interest rates to environmental projects to actively support developing countries' efforts in addressing environmental issues.

**Special Terms for Economic Partnership (STEP)

Project Outlines

(1) Tanjung Priok Gas-Fired Power Station Extension Project

Demand for power in Indonesia has increased sharply with the economic recovery following the currency crisis, and the easing of power supply-demand in the Java-Bali power grid, which accounts for about 80% of all annual power sales in Indonesia, is a particularly pressing issue. However, power source development using funding from Perusahaan Listrik Negara (PLN), the state-owned power utility, and privately-funded power source development, is limited. Therefore, it is necessary to develop power sources using overseas public funds.

This project is for the construction of new gas-fired combined cycle generating facilities at the Tanjung Priok Gas Fired Power Station located in the suburbs of Jakarta. The aim is to improve stability in the power supply in response to the tight power supply-demand in the Java-Bali power grid (average future demand growth: 5.0-7.4%). Official Development Assistance (ODA) loan funds will be allocated to the construction of generating facilities, the improvement of related power transmission and substation facilities and consulting services (detailed design, tender assistance, project management, and assistance with operations and maintenance management).

Executing agency: PT Perusahaan Listrik Negara (PLN (Pesero)), Address: Jl. Trunojoyo Blok M 1/135, Kebayoran Baru, Jakarta 12160, Indonesia, Tel: +62-21-726-1122, Fax: +62-21-720-4929, URL: <http://www.pln.co.id>.

(2) Semarang Power Plant Rehabilitation and Gasification Project

Semarang Power Plant is a power station that is responsible for the adjustment of voltage between the eastern and western portions of the Java-Bali power grid, and it has an important role to play. However, generating facilities have deteriorated, with the power plant's three turbines having undergone no major improvement since they began operations in 1983, and there are concerns over stable operations in the future. Meanwhile, offshore gas fields around Central Java are being developed, and are projected to supply gas to Semarang Power Plant and nearby power stations.

This project will utilize existing facilities through the rehabilitation and conversion to gas of the three turbines at the Semarang Power Plant (180 MW to approx. 212 MW), and it aims to secure a stable supply of power.

ODA loan funds will be allocated to the rehabilitation and conversion to gas of generating facilities and to consulting services (detailed design, tendering assistance, project management, and assistance with operations and maintenance management).

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(3) Lahendong Geothermal Power Plant Project

The Minahasa power grid (Northern Sulawesi State), where this project is located, is situated in a region in the outer islands with particularly tight power supply-demand. Actual supply capacity is limited to 118 MW (peak demand is 113 MW) as a result of the ageing of the existing facilities and operational stoppages for maintenance. Peak demand is forecast to exceed supply capacity in 2004 (future demand growth rate: 4.4-6.9%). Consequently, the expansion of power supply capacity by extending power plants and by increasing the stability of the power supply in the Minahasa power grid is necessary for the development of the local economy.

Moreover, this project utilizing geothermal energy, a renewable energy source, is compatible with policies to conserve global energy and the environment, including those in Japan and Indonesia.

This project will construct a new geothermal generating facility (approx. 20 MW) at the existing Lahendong Geothermal Power Plant located 20 kilometers to the south of Manado, the state capital of Northern Sulawesi.

ODA loan funds will be allocated to the construction of generating-related facilities and equipment and consulting services (detailed design, procurement assistance, project management, etc.).

Executing agency: PT Perusahaan Listrik Negara (PLN (Pesero)), Address: Jl. Trunojoyo Blok M 1/135, Kebayoran Baru, Jakarta 12160, Indonesia, Tel: +62-21-726-1122, Fax: +62-21-720-4929, URL: <http://www.pln.co.id>.

(4) Railway Double Tracking Project on Java South Line (II)

The Java South Line is one of the main lines carrying passengers and freight on the island of Java, and its route connects Jakarta with Surabaya via Yogyakarta and Solo (total 828 kilometers). As the Kroya-Yogyakarta section in particular is expected to face a shortfall in transport capacity in the near future based on passenger and freight transport demand forecasts, it is necessary to boost transport capacity quickly.

This project aims to boost transport capacity and ensure the punctuality, speed and safety of train operations by double tracking the Kutoarjo-Yogyakarta section (64 kilometers) of the Java South Line.

Japan Bank for International Cooperation (JBIC) has so far disbursed a Phase I loan (approx. 6 billion yen) for the project, which included the detailed design for the double tracking of the Kroya-Kutoarjo-Yogyakarta section (140 kilometers) in fiscal 1996, and this loan will be a Phase II loan.

ODA loan funds will be allocated to the construction of a double track railroad and consulting services (tendering assistance, project management, environmental measures, and assistance with operations and maintenance).

Executing agency: Directorate General of Land Communications, Ministry of Communications, Address: Gedung Karya, Lt. 3, Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia, Tel: +62-21-3502971, Fax: +62-21-3503013.

(5) Rehabilitation and Improvement Project of Jakarta Fishing Port

Jakarta Fishing Port is the largest fishing port in Indonesia, and it functions as a very important fisheries center. However, the facilities have deteriorated as a result of the ground subsidence caused by excessive pumping of underground water in the urban area of Jakarta among other factors. Strategies to address the subsidence of the facilities are required to maintain the functions of the fishing port and to effectively utilize the related facilities.

This project aims to restore the function and secure the durability of the existing facilities, which were the main facilities constructed in the Jakarta Fishing Port Phase I Project, through rehabilitation work on the east and west wharves (1,349 meters).

In addition to raising the east and west wharves, which are the main facilities of the fishing port, ODA loan funds will be allocated to civil engineering, the procurement of materials and machinery, and consulting services (procurement assistance, project management, and assistance with operations and maintenance management) related to the repair of the western breakwater, which has been similarly affected by subsidence, to improvements to the gate area (road repairs), and the construction of wharf security facilities.

Executing agency: Directorate General of Capture Fisheries, Ministry of Maritime Affairs and Fisheries, Address: Jl. Medan Merdeka Timur No. 16 Jakarta Pusat 10110, Indonesia, Tel: +62-21-3500041, Fax: +62-21-3500042.

(6) Maritime Telecommunications System Development Project (IV)

Indonesian waters are a strategic point for maritime traffic connecting East Asia with Europe and the Middle East (an average of more than 300 ships daily pass through four sea lanes), but an average of 204 (1982-2000) shipping accidents, and 103 (2002) incidents of piracy, take place per year. Meanwhile, in its 1988 revision, the International Convention for the Safety of Life at Sea obliged the signatory nations to ensure that shipping using international sea lanes and onshore telecommunications stations conform with the Global Maritime Distress and Safety System (GMDSS) by February 1999. In addition, the 2002 revision obliged ships using international sea lanes to install the Automatic Identification System (AIS) by December 2004.

In view of these circumstances and its obligations to the international community, the Indonesian government has been promoting the development of maritime telecommunications stations to establish safety at sea. As part of this, JBIC has disbursed ODA loans for the Maritime Telecommunications System Development Project since 1981 (a total of 11,089 million yen for eight projects), supporting the establishment of safety at sea.

With the establishment of GMDSS facilities (33 maritime telecommunications stations) and AIS facilities (four stations), this project will contribute to International Convention for the Safety of Life at Sea (SOLAS) compliance, the prevention of shipping accidents, the establishment of a sea rescue system, and countermeasures against piracy and maritime terrorism.

ODA loan funds will be allocated to the establishment of the related GMDSS and AIS telecommunications facilities, the establishment of a maintenance and training system, and consulting services (detailed design, procurement assistance, project management, etc.).

Executing agency: Directorate General of Sea Communications, Ministry of Communications, Address: Gedung Karya, Lt. 13, Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia, Tel: +62-21-3507201, Fax: +62-21-3506534.

(7) The Urgent Rehabilitation Project of Tanjung Priok Port

Tanjung Priok is currently the only international port in western Java, which is the center of the Indonesian economy. The basic form of the port remains as it was during the Dutch colonial era. It compares unfavorably with leading ports in countries of the Association of Southeast Asia Nations (ASEAN) on handling volume and productivity, its function as a distribution and industrial infrastructure is paralyzed, and there are concerns that it will be a factor in reducing Indonesia's appeal for foreign investment. In the future, demand for container transport is forecast to increase in western Java, and there is a need to carry out rehabilitation projects that eliminate the problem areas of the port and contribute to greater efficiency in shipping and boosting handling volume.

This project will make improvements to Tanjung Priok Port (Jakarta) that include the widening of shipping lanes from 125m one-sided traffic to 300m two-sided traffic and deepen the shipping lanes to 14m. By doing this, the project aims to improve the efficiency of shipping, allow the port to respond to increased demand in the future, and enhance its functions as an international hub port.

ODA loan funds will be allocated to civil engineering, including the widening and dredging of sea lanes, the establishment of roads within the port complex and consulting services (procurement assistance, project management, and assistance with operations and maintenance).

Executing agency: Directorate General of Sea Communications, Ministry of Communications, Address: Gedung Karya, Lt. 15, Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia, Tel: +62-21-3506964, Fax: +62-21-3847184.

(8) Surabaya Airport Construction Project (II)

Surabaya Airport is the third most important international airport in Indonesia and ranks behind Jakarta (Soekarno-Hatta) and Bali (Denpasar) in passenger numbers and freight handling volume. Moreover, Surabaya is in the center of eastern Java, and the current airport facilities will be hard pressed to respond to the sharp increase in airport use that is forecast to accompany the economic development of the region.

In such a situation, it is necessary to expand the airport so that it will be able to respond to the increased demand of the future. This project will construct a new terminal, which is capable of handling six million passengers and 120,000 tons of freight per year, on the opposite side from the current terminal to straddle the runway, and update various facilities in order to address the future growth in demand for air transport.

The project is expected to improve the safety of air transport, increase transport capacity in line with the demand for aviation, and contribute to economic development accompanying enhanced distribution in the region surrounding the airport.

JBIC disbursed a Phase I loan (approx. 12.9 billion yen) for the project in fiscal 1996, and this loan will be a Phase II loan.

Executing agency: Directorate General of Air Communications, Ministry of Communications, Address: Gedung Karya, Lt. 24, Jl. Merdeka Barat No. 8, Jakarta Pusat 10110, Indonesia, Tel: +62-21-3507623, Fax: +62-21-3505571.