

JBIC Signs ODA Loan Agreement with Indonesia

--Supporting Construction of a Mass Rapid Transit System for Economic Development--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed a loan agreement on November 28 totaling up to 1,869 million yen with the Republic of Indonesia to finance "Engineering Services for the Jakarta MRT System Project."
2. The Project aims to increase passenger transport capacity, which will lead to less traffic congestion and more efficient freight transport, and to reduce air pollution in the Jakarta metropolitan area by constructing a mass rapid transit system (14.5 km) containing the country's first subway in the Jakarta metropolitan area. The Project will thereby improve the country's investment climate. Since the Project involves underground excavation in the heart of the city, Japan's advanced technologies, including its shield tunneling method,[1] will be utilized to minimize the surface-level construction area. The funds of this loan will be applied to engineering services for the basic design of the Project to facilitate effective project implementation.
3. The Jakarta metropolitan area has 21 million people, or about 10% of the total population. It is a concentrated area that is an important economic hub accounting for 22% of Indonesia's total industrial production. While Jakarta's position has been reflected in a sharp increase in commuters to the city center, only 2% of them are using rail service. This is attributable to such reasons as an insufficient number of trains and unpunctual due to serious congestion. Many commuters rely on buses, motorcycles and private vehicles for their means of transport.[2] The average driving speed of buses, however, falls below 10 km/h during the peak evening rush. Such serious traffic congestion has led to a deterioration in living conditions, air quality and the investment climate. By expanding the rail service, which accommodates short-distance transport in central Jakarta, the Project is expected to help alleviate traffic congestion.
4. JBIC has provided comprehensive support for Indonesia, including assistance for recovery from the economic crisis, economic and social stability, as well as economic infrastructure development underpinning economic growth led by private investment. Through the provision of ODA loans, JBIC will continue to support infrastructure development for sustainable growth in Indonesia that leads to poverty reduction.

(Click here for details.)

[1] A tunnel boring machine called a "shield" is used to excavate tunnels. This method is being used in the ongoing construction of the Tokyo Metro No. 13 Line.

[2] The composition of motor vehicles in the Jakarta metropolitan area is as follows: motorcycles, 23%; passenger vehicles, 17%; buses, 58%; and rail, 2%.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Engineering Services for the Jakarta MRT System Project	1,869	0.4*	40/10*	Japan Tied

*Special Terms for Economic Partnership (STEP)

2. Project Executing Agency

Ministry of Transportation, Directorate General of Railways

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3. Political and Economic Situation in Indonesia

The government of President Yudhoyono, established in October 2004, has three goals: "Realizing a Safe and Peaceful Indonesia," "Realizing a Just and Democratic Indonesia," and "Realizing a Prosperous Indonesia." Backed by a secure majority in the DPR (House of Representatives), the government has been run in a stable manner. The National Medium-Term Development Plan (RPJM) (2004-2009) drafted in January 2005 set the following numerical targets to be achieved in 2009: 7.6% economic growth (compared to 5.1% in 2004), 5.1% unemployment rate (9.9%), and 8.2% poverty ratio (16.6%). The government has been making efforts to maintain macroeconomic stability, improve the investment climate and advance various reforms to improve fiscal management, including a reduction in fuel subsidies. As a result of these efforts, real GDP grew 5.6% in 2005, the highest increase since the economic crisis.