

JBIC Signs ODA Loan Agreements with Indonesia

--Supporting Infrastructure Development and Human Resource Development for Sustainable Growth and Poverty Reduction--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on March 28 Japanese ODA loan agreements in the aggregate total of up to 60,741 million yen for five projects with the Republic of Indonesia. Added to the Disaster Recovery and Management Sector Program Loan provided in December 2007 and the Development Policy Loan (DPL) IV signed on March 18, the overall total of ODA loans offered to Indonesia in FY2007 amounts to 106,003 million yen.
2. Indonesia's macro-economy is stabilizing. In 2007, with the GDP growth rate at 6.3%, and the public debt outstanding ratio to GDP falling to 35%, compared to 4.8% and 59% respectively in 2003. However, employment opportunities and poverty reduction are yet to be improved. In 2007, the unemployment rate was 9.7% and the poverty rate 16.1%. In addition, according to the Medium-Term Development Plan (2004-09), the government of Indonesia set a target of a 5.1% unemployment rate and of an 8.2% poverty rate in the final year, 2009. Therefore, for Indonesia to further create employment opportunities and thereby reduce poverty, it is essential to attain sustainable economic growth and improve the quality, as well as expand the quantity, of pro-poor social services.
3. These project loans address such urgent issues by supporting economic infrastructure development for improving the investment climate, irrigation infrastructure development for poverty reduction, improvement in the quality of medical services, human resource development and environmental improvement in tourist towns for sustainable economic growth. JBIC will combine these project loans with development policy loans, such as the Disaster Recovery and Management Sector Program Loan and DPL IV, which provide financial assistance after monitoring and assessment the performance of policy and institutional reforms in order to contribute more effectively to sustainable growth and improvement in the quality of and the expansion in the quantity of pro-poor social services to the people living in poverty.
4. Highlights of these ODA loans are as follows:
 - (1) Supporting Economic Infrastructure Development to Improve the Investment Climate
The Indonesian government announced a comprehensive "policy package" in June 2007 for the purpose of accelerating growth and expanding employment opportunities. It consists of four pillars: (1) improving the investment climate; (2) reforming the financial sector; (3) promoting infrastructure development; and (4) strengthening small and medium enterprises. In August 2007, the country signed the Economic Partnership Agreement with Japan with a view to enhancing bilateral economic partnership ties in such areas as trade, investment and services. Considering these developments, JBIC has placed the priority of its Japanese ODA loans to Indonesia on economic infrastructure development for improving the investment climate.
An ODA loan for the Railway Double Tracking on Java South Line Project (III) will support the double-tracking of the section of Java South Line, the major route connecting the capital city of Jakarta with Yogyakarta in the middle of Java Island that has yet to be double-tracked. This will increase rail transport capacity and thereby improve the investment climate in the surrounding areas.
 - (2) Supporting Irrigation Infrastructure Development for Poverty Reduction
Agriculture is a major industry in Indonesia, accounting for 13% of GDP (2005) and employing 44% of the total labor force (2005). However, the production of rice, the staple food for Indonesians, has remained unstable, due to external factors such as abnormal weather and soaring prices of fertilizers and pesticides after the currency crisis. In 2006, the country had to import around 2 million tons of rice. Thus, an increase in rice production is an urgent issue in terms of food security. The price of rice is also rising, leading in particular to pressure on the household expenditure of the poor.
Irrigation facilities will be rehabilitated and expanded, and their operation and maintenance systems will be improved in the nine western provinces and nine eastern provinces in the Participatory Irrigation Rehabilitation and Improvement Management Project and the Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia (II), respectively. Through this, these projects aim to increase the production of foods, primarily rice crops, as well as stabilize their supplies, thus serving to stabilize the income of farming households and improve the living conditions in the targeted communities.
 - (3) Supporting Human Resource Development for Improving Medical Service
The Indonesian government has targeted educating and training a total of 80,000 doctors to achieve 40 doctors per population of 100,000 by 2010. However, actual figures remain well short of half of this target figure. Also, improving the quality and increasing the number of health service workers engaging in primary care are urgent issues.
In the Development of World Class University at University of Indonesia, the medical and other health-related faculties, and the university hospital will be improved/developed at the University of Indonesia. This will improve and expand medical and related education, as well as strengthen the research activities. Furthermore, through strengthened cooperation of these faculties with regional universities, the project aims to support human resource development that contributes to realizing the improved quality of medical services across Indonesia.
 - (4) Supporting Environmental Improvement in Tourist Towns
In Indonesia, only around 1% of the urban population has access to off-site wastewater treatment facilities, the lowest figure among Asian countries. Bali with its high population density is the country's leading tourist spot, and has numerous commercial facilities such as hotels, restaurants and souvenir stores. As a result, large volumes of wastewater is being discharged, and concerns are being raised over the adverse effects on the natural environment, including the quality of seawater, one of Bali's major tourism resources, as well as on the living conditions.
In the Denpasar Sewerage Development Project (II), the existing sewerage facilities (sewer pipes) will be expanded in Denpasar, Kuta, and Sanur districts of Bali Island, and the operation of sewage collection and treatment services provided by the local government will also be improved. Through this, the project aims to expand the coverage rate of the sewerage systems and establish the operation and maintenance of sewerage facilities led by the local government, which will serve to improve living conditions in targeted areas, and conserve their natural environments as its resource for tourism.

(Click here for details.)

(Click here for map.)

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Participatory Irrigation Rehabilitation and Improvement Management Project	12,310	1.4	30/10	General Untied
Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia (II)	8,967	1.4	30/10	General Untied
Railway Double Tracking on Java South Line Project (III)	18,819	1.4	30/10	General Untied
Development of World Class University at University of Indonesia	14,641	1.4	30/10	General Untied
Denpasar Sewerage Development Project (II)	6,004	0.65*	40/10*	General Untied
Total	60,741			

*The terms are more favourable than those applied to ordinary Japanese ODA loans with a view to proactively promote environmental protection measures by developing countries.

** An interest rate of 0.01% is applied to the consulting service component.

(1) Participatory Irrigation Rehabilitation and Improvement Management Project

(a) Project Background and Necessity

Agriculture is a major industry in Indonesia, accounting for 13% of GDP (2005) and employing 44% of the total labor force (2005). However, the production of rice, the staple food for Indonesians, has remained unstable, due to external factors such as abnormal weather and soaring prices of fertilizers and pesticides after the currency crisis. In 2006, the country had to import around 2 million tons of rice. The price of rice is also rising, leading in particular to pressure on the household expenditure of the poor.

On the island of Java which is a major rice producing region in the country, the area of arable land is decreasing due to the advance of urbanization and industrialization, and the situation of having to rely on imports is likely to be continued in the future. In addition, the population of Indonesia is continuing to grow. Thus increased production of rice is an urgent issue to address from the stand point of national food security.

(b) Project Objectives and Outline

This project aims to increase the production of rice in the western region of Indonesia (Java, Sumatra and Kalimantan islands) which shares 80% of the country's rice production in order to ensure stability of domestic supply of rice, to contribute to farmer's income stability in the target areas, and to improve the living condition. This will be achieved by improvement, rehabilitation and extension of existing irrigation facilities, while also developing operation and maintenance system. Through implementation of this project, approximately 140,000 households are expected to enjoy the benefits of increased agricultural productivity, while rice output is expected to grow by approximately 80%.

The proceeds of the loan will be used for the civil work (improvement, rehabilitation and extension of existing irrigation facilities) and consulting services (tender assistance, construction supervision and strengthening operation and maintenance capability for the irrigation facilities, etc.).

Project Executing Agency: Directorate General of Water Resources (DGWR), Ministry of Public Works, (address: Jl. Pattimura 20 Kebayoran Baru, Jakarta 12110, Indonesia, TEL: +62-21-739-5626, FAX: +62-21-724-3633).

(2) Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia (II)

(a) Project Background and Necessity

Agriculture is a major industry in Indonesia, accounting for 13% of GDP (2005) and employing 44% of the total labor force (2005). However, the production of rice, the staple food for Indonesians, has remained unstable, due to external factors such as abnormal weather and soaring prices of fertilizers and pesticides after the currency crisis. In 2006, the country had to import around 2 million tons of rice. The price of rice is also rising, leading in particular to pressure on the household expenditure of the poor.

The proportion of the population below the poverty line defined by the Indonesian government[1] in the eastern region of Indonesia is at the higher level of approximately 19% (the national average in 2004 was approximately 17%). From the perspective of redressing regional disparities, the Indonesian government is proactively pursuing the development of eastern region as a priority. In particular, since employment opportunities outside of the primary related industries are limited, and the majority of the workforce is employed in agriculture, it is expected that accelerating the development within the agriculture sector will bring impact on reducing poverty, in addition to redressing regional disparities.

JBIC has committed Japanese ODA loans for the previous phases of the captioned project targeting the eastern region of Indonesia over four phases since 1989, reaching 53,767 million yen. The target regions and the range of the support have gradually been expanded up until now. In addition to developing irrigation facilities, the activities to strengthen the capacity of Water Use's Associations (WUAs) and the dissemination of water-saving method for rice farming have been implemented to increase effectiveness and efficiency of the irrigation water utilization. Accordingly these activities are also contributing to increase in agricultural productivity in the target regions.

(b) Project Objectives and Outline

This project aims to increase agricultural production (mainly rice) and ensure its stable supply in the eastern region of Indonesia (where development is lagging behind the rest of the country), contributing to farmer's income stability in the target areas, and an improvement to the living conditions, thus decreasing poverty. This will be achieved by improvement, rehabilitation and extension of existing irrigation facilities while also developing operation and maintenance system. Through implementation of this project, approximately 70,000 households are expected to enjoy the benefits of increased agricultural productivity, while rice output is expected to grow by approximately 42%.

The proceeds of the loan will be used for the civil work (improvement, rehabilitation and extension of existing irrigation facilities) and consulting services (bidding assistance, construction supervision and strengthening operation and maintenance ability for the irrigation facilities, etc.).

Project Executing Agency: Directorate General of Water Resources (DGWR), Ministry of Public Works (address: Jl. Pattimura 20, Kebayoran Baru Jakarta 12110, Indonesia, TEL: +62-21-739-5626, FAX: +62-21-724-3633).

(3) Railway Double Tracking on Java South Line Project (III)

(a) Project Background and Necessity

The Indonesian government announced a comprehensive "policy package" in June 2007 for the purpose of accelerating growth and expanding employment opportunities. It consists of four pillars: (1) improving the investment climate; (2) reforming the financial sector; (3) promoting infrastructure development; and (4) strengthening small and medium enterprises. In August 2007, the country signed the Economic Partnership Agreement with Japan with a view to enhancing bilateral economic partnership ties in such areas as trade, investment and services.

At present, Java heavily relies on road transport, and this is causing problems such as congestion and an increased environmental burden. For this reason, shifting of transportation mode to rail, thus lowering the degree of reliance on roads, and improving the efficiency of transportation, is a development issue for the region. Rail transportation demand focused on freight is predicted to increase due to this shift of methods. The daily number of trains running is expected to exceed the line capacity in 2009-2010.

JBIC has set economic infrastructure development for the purpose of improving the investment climate, as one of its priority areas for the ODA loans for Indonesia. JBIC provided support to railway double tracking projects on Java's South Lines previously, in FY 1996 (approximately 6 billion yen) and FY 2003 (approximately 10 billion yen). JBIC also provided an ODA loan (approximately 1 billion yen) for the engineering services related to the target sections of this loan in FY 2006.

(b) Project Objectives and Outline

Double tracking is not yet complete on Java South Line, one of the major trunk rail lines from the capital Jakarta towards Yogyakarta in the island's central area. This project aims to increase rail transportation capacity in Java by double tracking this line (main section 517km, roughly the same distance as Tokyo-Kyoto), contributing to an improvement to the investment climate of the surrounding regions. Through implementation of this project, the line capacity is expected to double, resulting in an expected reduction of approximately

15% in the time required for executive class trains to travel the target section.

The proceeds of the loan will be used for the double tracking work and consulting services (detailed design, tender assistance and project supervision).

Project Executing Agency: Ministry of Transportation, Directorate General of Railways, (address: Jl. Merdeka Barat 8 Jakarta-10110, TEL: +62-21-3856836, FAX: +62-21-3813972).

(4) Development of World Class University at University of Indonesia

(a) Project Background and Necessity

The Indonesian government has targeted educating and training a total of 80,000 doctors to achieve 40 doctors per population of 100,000 by 2010. However, actual figures remain well short of half of this target figure. The government is putting much effort into strengthening capacity of local government on planning and implementation of health services, as well as primary care. Improving the quality and quantity of healthcare personnel working to provide such primary care services needs to be urgently addressed. Moreover, with an increase in newly established medical schools, there is a shortage in both quality and quantity of hospitals where students can undertake their medical clinical training. The Ministry of Education in Indonesia is putting policies into place for universities with medical schools to establish affiliated hospitals in parallel.

The University of Indonesia (UI) has a long history. Not only did it previously produce approximately 10% of the country's doctors, but it has also been the role model for medical education in Indonesia. For instance, at present close to 40% of its graduates go on to teaching positions, supports many new medical schools through the dispatch of lecturers and the sharing of its curriculum.

(b) Project Objectives and Outline

This project aims to enhance educational and research capacity of UI, which consists of medical, dentistry, nursing and public health faculties, through developing University Hospital and Health Faculties with a view to contributing to improving quality of medical services in Indonesia through strengthening their collaboration with regional universities. Through implementation of this project, the University of Indonesia is anticipated to become a model for the country, by developing the first university-affiliated hospital able to carry out improved clinical training and research. This hospital will also serve and contribute to the 1.4 million citizens of Depok (roughly the same size as Fukuoka, Japan), the neighboring city of Jakarta. The hospital is also planned to be Indonesia's first with a seismic isolation function included.

The proceeds of the loan will be used for the construction of the university facilities and consulting services (management of the project as a whole, detailed design, tender assistance, works supervision, launch support for the university-affiliated hospital, drawing up guidelines, and cooperative support between regional universities, Japanese universities, and etc.).

Project Executing Agency: Directorate General of Higher Education, Ministry of National Education, (address: Gedung DIKTI 10th Floor, JL. Pintu Satu, Senayan, Jakarta Selatan, Indonesia, TEL: +62-21-5794-6105/6101, FAX: +62-21-5794-6104).

(5) Denpasar Sewerage Development Project (II)

(a) Project Background and Necessity

The access rate to off-site wastewater treatment facilities for urban populations in Indonesia is only around 1%, the lowest level throughout Asia. In Bali, the target region of this project, a large quantity of polluted water is discharged, as there are many commercial facilities such as hotels, restaurants and stores, and the population is densely crowded. Such polluted water is flowing directly into waterways and the sea, and there is growing concern over serious negative effects on the living and natural environments such as the water quality of the sea which serves as a resource for tourism.

In 1994, JBIC provided the loan for the "Denpasar Sewerage Development Project," supporting the construction of sewer pipes in districts where the urgency for development of a sewerage system was particularly high (approximately 1,100ha). It also supported the construction of pump stations, a wastewater treatment facility and so on. Following the phase 1 project, this project will continue on the construction of sewer pipes in the areas where the development of sewerage systems is a high priority (approximately 700ha).

(b) Project Objectives and Outline

This project aims to increase the coverage rate of sewerage system in the region and establish operation and maintenance system led by local government, contributing to an improvement to the living environment and conservation of the natural environment, which is a tourist resource. This will be achieved by expanding the existing sewerage treatment facilities (pipes) in Denpasar, Kuta and Sanur districts of Bali, the foremost tourist area in Indonesia, which attracts approximately 1.65 million tourists annually (of whom 0.35 million are Japanese). A management system for regional government sewage treatment project will also be developed. Through the series of sewerage system development combined with phase 1 project, 142,600 people will be able to access to sewerage services. Furthermore, it will strengthen the capacity of the Public Service Agency for Wastewater Management, which was established in 2007, to be a model for local government-provided sewerage services.

The proceeds of the loan will be used for the construction of sewerage pipes and consulting services (tender assistance, project supervision and support related to developing the operation and maintenance capacity etc.).

Project Executing Agency: Directorate General of Human Settlements, Ministry of Public Works, (address: Jl. Pattimura 20, Kebayoran Baru Jakarta 12110, Indonesia, TEL: +62-21-727-96581, FAX : +62-21-727-99232).

[1] The Indonesian government defines its criteria for the poverty line as "Less than daily requirement of 2,100/kcal per capita, accompanied by shortages in minimum requirements such as clothing, education, etc."

Indonesia : Map of projects FY2007



Base 802900AI (C00429) 11-02

List of projects

- Participatory Irrigation Rehabilitation and Improvement Management Project
- Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia ()
- Railway Double Tracking on Java South Line Project ()
- Development of World Class University at University of Indonesia
- Denpasar Sewerage Development Project ()

Denpasar Sewerage Development Project ()

Railway Double Tracking on Java South Line Project ()

Development of World Class University at University of Indonesia

[Western part of Indonesia (Java island · Sumatra island · Kalimantan island)]
Participatory Irrigation Rehabilitation and Improvement Management Project

[Eastern part of Indonesia (Sulawesi island · Lombok island · others)]
Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia ()