

Japanese ODA Loan for the Republic of Indonesia

– Actively supporting Economic Reforms Including Investment Climate Improvements –

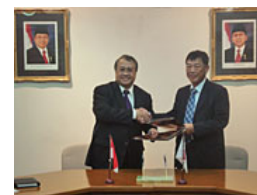
1. On December 10, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Republic of Indonesia to finance up to 8.391 billion yen for the Development Policy Loan (VII).

2. The purpose of this development policy support loan is to assist the Indonesian government in implementing policy actions. The reforms the Indonesian government is targeting with policy actions cover the following three areas: 1) improving investment climate, 2) improving fiscal management, and 3) alleviating poverty. This loan was approved after an evaluation on measures taken so far by the Indonesian government on those policy actions. This loan is cofinanced by the World Bank and the Asian Development Bank, and JICA will be working in close cooperation with these international organizations while monitoring progresses of the policy reforms, through policy dialogues with the Indonesian government.

3. The policy actions for this loan that were confirmed as having been achieved include the revision of foreign investment regulations and preparations toward establishing the national single windows where import/export procedures are carried out. These actions were proposed to be set by JICA through discussions with Japanese private companies based on the Japan-Indonesia Strategic Investment Action Plan announced in June 2005. Also confirmed were the implementation of a reporting system for local trade bureaus issuing certificate of origins to the central government and the issuance of guidance for transfer pricing taxation. In addition, the policy actions to be achieved for the next year are as follows: implementation of regularly-scheduled private sector consultative meetings on investment regulation and national single windows, evaluation of services at major ports, issuance of improved standard operating procedures for tax objection and appeals, national budget formulation based on the mid-term development plan, and enhancement of poverty alleviation and service delivery efforts.

4. At the beginning of 2010, the Indonesian government formulated its National Medium-Term Development Plan 2010 - 2014). Targets established for the final year include an economic growth rate of 7.0 - 7.7% (4.5% in 2009), an unemployment rate of 5.0 - 6.0% (7.9% in 2009) and a poverty rate of 8.0 - 10.0% (14.2% in 2009). The plan contains reforms with regard to stabilization of the macroeconomy, improvements in the investment climate as well as fiscal management, and poverty alleviation. This Japanese ODA loan will provide financial assistance necessary for the continuation and enhancement of policy reforms the Indonesian government is now advancing. Furthermore, investment climate improvement is particularly significant from the perspective of allowing Japanese private companies to carry out activities more smoothly in Indonesia, and will also contribute to the promotion of the New Growth Strategy approved by the Japanese cabinet in June 2010.

5. JICA will continue its assistance to Indonesia for the improvements of investment climate as well as fiscal management and poverty reduction by supporting policy reforms in Indonesia through development policy support loans such as this loan, along with providing project-based assistance.



Signing Ceremony

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Deferment period (years)	Procurement
		Project	Consulting services			
Development Policy Loan (VII)	8,391	0.8	—	15	5	Untied

Dashes in the table indicate that terms and conditions have not been established for that item.

2. Project Summaries

Development Policy Loan (VII)

Executing Agency

Ministry of Finance
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 Phone: +62 (21) 344-9230, Fax: +62 (21) 380-8395
 Coordination Ministry of Economic Affairs
 Address: Jl. Lapangan Banteng Timur No. 2-4
 Phone :+62 (21) 352-1974, Fax: +62 (21) 352-1985

Planned Implementation Schedule

(i) Completion time of project: June 2010 – with completion of the loan process

(ii) Issuing of letters of invitation for consulting services: No hiring of consultants is planned for this project

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Not applicable