

Japanese ODA Loan for the Republic of Indonesia

— Actively Supporting Policy Reform along with Technical Cooperation to Promote Infrastructure Investment —

1. Today, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Republic of Indonesia for a total of up to 8.291 billion yen for the Infrastructure Reform Sector Development Program (III).
2. Infrastructure investment in Indonesia reached between 6 and 7 percent of the gross domestic product (GDP) in the mid-1990s, but it dropped to about 3 percent between 2001 and 2006 following the 1997 Asian financial crisis. The level has remained low, rising to around 4.0 percent in 2008. The metropolitan area of Jakarta suffers from chronic traffic congestion and lacks adequate basic infrastructures such as water supply, whose connection rate is only about 50 percent. These factors act as investment disincentives for the private sector and impede economic growth. The Government of Indonesia is therefore promoting infrastructure investment through public-private partnerships (PPP).
3. The Infrastructure Reform Sector Development Program (III) is being provided on the evaluation of system improvements made by the Indonesian government such as establishing laws and creating structures in the areas of infrastructure and investment promotion. This follows a Japanese ODA loan in March 2009 for the Infrastructure Reform Sector Development Program (II). Specific improvement items include establishing an PT. SMI (infrastructure financing company) and IIGF (Indonesia Infrastructure Guarantee Fund), and opening tendering of PPP projects such as the Central Java Coal Fired Power Plant Project, which is planned to adopt coal-fired power generation technology that provides high efficiency.
4. Based on the framework of this program, the Government of Indonesia has been continuously implementing infrastructure policy reform that addresses three problems: 1) promoting infrastructure development, 2) improving the investment climate, and 3) improving infrastructure access. They have also worked to increase private investment, as well as to promote infrastructure and alleviate poverty in Indonesia.
5. In response to these policy reforms, JICA is providing technical cooperation for creating a framework for distributing public and private sector risks for PPP infrastructure projects in the road sector, implementing feasibility studies for forming specific PPP infrastructure projects, and providing Japanese ODA loan. Going forward, JICA's policy is to use the outcome of the framework for furthering PPP infrastructure projects formulated under this program, and to promote the formation and success of individual PPP infrastructure projects through technical cooperation and Japanese ODA loans. Additionally, JICA plans to implement technical cooperation with an objective of strengthening the capacity of relevant agencies within the Government of Indonesia, including the National Development Planning Agency, the Ministry of Finance and the Investment Coordination Board of Indonesia.
6. The Infrastructure Reform Sector Development Program (III) is cofinanced by the Asian Development Bank and has been implemented in coordination with the World Bank, which is providing an Infrastructure Development Policy Loan. This program will end with this third phase of ODA loans, but JICA's policy is to continue coordinating closely with these international agencies while carrying out close policy dialogues with the Government of Indonesia.

Reference

1. Terms and Amounts of Loan

Program title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Deferment period (years)	Procurement
		Program	Consulting services			
Infrastructure Reform Sector Development Program (III)	8,291	0.8	—	15	5	Untied

2. Program Summaries

Infrastructure Reform Sector Development Program (III)

Executing Agency

National Development Planning Agency
 Address: Jl. Taman Suropati No. 2, Jakarta 10310, Indonesia
 Phone: +62 (21) 3193-6207, Fax: +62 (21) 392-6257

Planned Implementation Schedule

- (i) Completion of program: March 2011 – with completion of the loan process
- (ii) Issuing of letters of invitation for consulting services: No consultants are employed for this program
- (iii) Tender announcement of initial procurement package for international competitive bidding on program construction: No tendering is planned for construction for this program