

Japanese ODA Loan for the Republic of Indonesia

–Proactive Assistance for Reforms in the Economic Field That Include Investment Climate Improvements–

1. On January 23, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Republic of Indonesia to provide up to 15.49 billion yen for the Development Policy Loan (VIII).

2. Development policy loan sets policy actions and provides loans based on action accomplishments in order to achieve policy reforms in the areas of (1) improving investment climate, (2) strengthening public financial management and (3) enhancing poverty alleviation and service delivery efforts. This loan was approved after an evaluation of the policy actions taken by the Government of Indonesia. The loan is co-financed by the World Bank and JICA will monitor policy reforms with World Bank, through policy dialogue with the Government of Indonesia.

3. The policy actions that were achieved in the loan include the formulation of follow-up guidelines for the transfer pricing taxation, the revisions in the Standard Operation Procedure for tax objection and appeals, and the strengthening of public-private consultation on trade and investment. Those policy actions are proposed by JICA with consideration of the requests for the improvement of investment climate by private sectors. Future policy actions include the Indonesia National Single Window portal to serve as the single authoritative reference for all trade regulations issued by related government agencies, and this is one of the requests from private sectors for the improvement of investment climate. The future policy actions also include strengthening public financial management and enhancing poverty alleviation and service delivery efforts.

4. The Government of Indonesia formulated a National Medium-Term Development Plan (2010-2014) at the beginning of 2010, which set target for 2014 of 7.0 to 7.7 percent in economic growth (4.5 percent in 2009), 5.0 to 6.0 percent in unemployment (7.9 percent in 2009), and 8.0 to 10.0 percent in the poverty rate (14.2 percent in 2009). Additionally, the government has instituted various reforms such as for stabilizing the macro economy, improving the investment climate, improving fiscal management and alleviating poverty. The present Japanese ODA loan will be used to provide the fiscal support that the government of Indonesia requires to continue and further promote the reforms and improvement in policies and systems. The improvement of the investment climate are particularly significant from the perspective of facilitating business activities by private sectors in Indonesia hence increase in private investments.

5. JICA's policy is to provide support for policy reform in Indonesia through development policy support loan, along with project assistance to provide continued support for measures in Indonesia for improving of investment climate, strengthening public financial management and enhancing poverty alleviation and service delivery efforts.



Signing ceremony

Reference

1. Terms and Amounts of Loans

Project title	Amount (million yen)	Annual interest rate (%)		Repayment (years)	Grace period (years)	Procurement
		Project	Consulting services			
Development Policy Loan (VIII)	15,490	0.8	-	15	5	Untied

A hyphen in the table indicates that no condition has been set for that item.

2. Project Summaries

Executing Agency

Ministry of Finance

Address: Jl. DR Wahidin Raya No.1, JakartaPusat,, Indonesia

Phone: +62 (21) 344-9230 Fax: +62 (21) 380-8395

Coordination Ministry of Economic Affairs

Address: Jl. Lapangan Banteng Timur No.2-4, Jakarta Pusat, Indonesia

Phone: +62 (21) 352-1974 Fax: +62 (21) 352-1985

Planned Implementation Schedule

(i) Completion of project: March 2013– with completion of the loan disbursement

(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