

## Signing of Japanese ODA Loan with the Republic of Indonesia

—Proactive Assistance for Policy Reforms Pertaining to Infrastructure Promotion and Investment Environment Improvements—

1. On December 2, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the Republic of Indonesia to provide up to 19.848 billion yen for the Connectivity Development Policy Loan.

2. This loan is being provided after confirming that policy actions established in advance were accomplished by September 2013. The policy actions relate to a series of policy reforms to be furthered by the Government of Indonesia pertaining to infrastructure development, investment environment improvement and connectivity strengthening. This loan is being co-financed by the World Bank and the Asian Development Bank, and JICA held close exchanges of opinion with both of those organizations concerning the policy actions and monitoring. Concerning the monitoring of progress going forward, policy dialogues are planned to be held with both of those organizations as well as with the Government of Indonesia.

3. In recent years, the economy of Indonesia has been supported by firm domestic consumption and private investment, the real GDP growth rate maintaining between 6 and 7 percent, but that rate has decelerated in 2013 due to inflation caused by factors such as balance of payments deficit and devaluation of the rupiah. To maintain sustainable growth, it is vital that structural challenges be overcome by improving infrastructure, strengthening connectivity and improving the investment environment. This Japanese ODA loan will be used to support the policy reforms, improve and promote the policies and institutions that the Government of Indonesia is focused on. Japan support infrastructure development projects and other initiatives in Jabodetabek under the "Metropolitan Priority Area for Investment and Industry (MPA)"[1] concept, and it is expected that the institutional support this loan provides for the development of infrastructure and investment environment improvements in Indonesia will have synergistic effects.

4. The policy actions that were confirmed as accomplished include the issuance of guidelines on land acquisition, which would contribute to remove bottlenecks to infrastructure development in Indonesia. Other policy actions that were confirmed include the establishment of a Viability Gap Funding (VGF) as a policy for promoting public-private partnership (PPP) projects, mobilizing private sector into infrastructure development, and revitalization of the policy committee for acceleration of infrastructure delivery. Through PPP projects, which Japanese companies also have a high level of interest in, these policy actions are promoting infrastructure development. Among the other targets for improvement are policies for customs clearance process, an issue specified in public-private consultation between Japan and Indonesia.

5. To promote infrastructure development and improve the investment environment, JICA is carrying out, in parallel with this loan, technical cooperation projects such as the "Project for PPP Network Enhancement" to support the development of PPP-related institutions and the "Project on Capacity Development for Trade-related Administration" to streamline trade procedures and make them transparent. This loan is part of a policy to continue supporting initiatives related to infrastructure development and investment environment improvements in Indonesia while bringing about synergistic effects with such technical cooperation.

### Note

[1] The concept to develop Jabodetabek as an area that is more attractive as an investment destination and better suited to industrial development, as well as being friendly to people and the environment. The Memorandum of Cooperation on the MPA concept was signed at the ministerial level of both governments in December 2010.

### Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Connectivity Development Policy Loan	19,848	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

Indonesian National Development Planning Agency (Badan Perencanaan Pembangunan Nasional, or BAPPENAS)  
Address: Jalan Taman Suropati No. 2 Jakarta 10310, Indonesia  
Phone: +62-021-319-6207, fax: +62-021-314-5374



After the signing, Robert Pakpahan (left), director general of the Debt Management Office of the Ministry of Finance, and Atsushi Sasaki, chief representative of the JICA Indonesia Office, shake hands.