

Ex-ante Evaluation

1. Name of the Project
Country: The Republic of Indonesia Project: Railway Double Tracking on Java South Line Project (III) (Engineering Services) (Loan Agreement: 03/29/2007, Loan Amount: 981 million yen, Borrower: The Republic of Indonesia)
2. Necessity and Relevance of JBIC's Assistance
<p>The railways sector in Indonesia is comprised of a network of 6,000km in length in Java and Sumatra. However, trip composition by transport mode remains at a low level of 7.3% for passenger transport and 0.6% for freight transport (1998). In Java in particular, medium-distance passenger and freight transport relies heavily on road transportation. Therefore, achieving more efficient transportation, alleviating road congestion, and reducing the environmental burden of traffic by promoting alternative railway transportation are issues that need to be addressed. To promote a transition in transportation mode from roads to railways, it is necessary to improve the quality of railway services, and therefore improvement in operation and maintenance in the railway sector is essential.</p> <p>On the Java South Line (517km in total length), double tracking construction has either been completed or is being planned for the complete length between Jakarta and Yogyakarta, apart from the span targeted by this Project (Kroya-Kutoarjo, 76.1km). In 2006, 62 trains traversed the span targeted for this project on a daily basis, but transport demand is expected to surpass the line's capacity of 84 trains per day in the future due to demand for transport for crude oil extracted from the Cepu Field in Central Java. Therefore, expanding the line capacity along this section by forming double track is an urgent issue.</p> <p>In its National Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional: RPJM), the Government of Indonesia states its commitment to securing transport capacity and qualitative improvement on important railway lines and specifically mentions plans to gradually convert the Java South Line to double tracking. Furthermore, it has earmarked the safety of rail transport and improvement of services as critical issues. In its long-term plan (2005-2009), the Indonesia Railway Company (PT.KAI) also gives high priority to double tracking of the Java South Line and improvement in safety and services.</p> <p>Japan's "Assistance Plan for Indonesia" (November 2004) states the need to promote the optimization of the functions of existing infrastructure and its policy to comprehensively review assistance for improving the management capacity of the economic infrastructure, including human resource development, in the implementation of aid. JBIC's Medium-term Strategy for Overseas Economic Cooperation Operations (April 2005) has also positioned the development of economic infrastructure as a priority area in establishing a favorable investment climate and places emphasis on providing intellectual cooperation and technical support for strengthening the implementation system.</p> <p>Therefore, JBIC's assistance is highly necessary and relevant.</p>
3. Project Objectives

The objective of this project is to promote the improvement of the investment climate by expanding line capacity by forming a double track on the Java South Line between Kroya and Kutoarjo, located in Central Java Province in Indonesia, and thereby contribute to the economic development of the area. This loan is aimed at promoting preparations for the smooth implementation of the project by providing engineering services, including review of the detailed design, assistance in the establishment of standards and regulations for operation and maintenance, and assistance in the improvement of railway business operations.

4. Project Description

(1) Target Area: Central Java Province

(2) Project Outline

The following will be carried out to convert the Java South Line to double tracking, to improve operation and maintenance, and to improve railway business operations.

1. Double tracking of the Java South Line (Kroya-Kutoarjo, 76.1km)
2. Consulting services (review of the detailed design, assistance in improvement of railway business operations, assistance in the establishment of standards and regulations for operation and maintenance, assistance in establishing an asset maintenance management system, assistance in tender, and construction supervision, etc.)

This loan is for engineering services prior to commencement of the project. The details are as follows:

1. Consulting services (review of the detailed design, assistance in improvement of railway business operations, assistance in the establishment of standards and regulations for operation and maintenance, assistance in establishing an asset maintenance management system, and assistance in tender).

(3) Total Project Cost/Loan Amount

1,308 million yen (Yen Loan Amount: 981 million yen)

(4) Schedule

January 2007 - October 2010 (46 months)

(5) Implementation Structure

- (a) Borrower: The Republic of Indonesia
- (b) Executing Agency: Directorate General of Railways, Ministry of Transportation
- (c) Operation and Maintenance System: The Indonesian Railway Company (PT.KAI) will undertake the operation and maintenance of the tracks and station buildings, etc., in the target section after the implementation of this project.

(6) Environmental and Social Considerations

- (a) Environmental Effects/Land Acquisition and Relocation
 - (i) Category: B
 - (ii) Reason for Categorization

This project is classified as Category B because it is a loan for engineering services, and the overall project does not belong to Category C under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations” (April 2002)

(b) Promotion of Poverty Reduction: None.

(c) Promotion of Social Development (e.g. Gender Perspective): None.

(7) Other Important Issues:

This project plans to provide intellectual and technical cooperation in areas such as assistance in establishing standards and regulations for operation and maintenance, and assistance in improving railway business operations through engineering services.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

To be established at the time of the project implementation.

(2) No. of Benefit Recipients

To be established at the time of the project implementation.

(3) Internal Rate of Return (Financial and Economic Internal Rate of Return)

Not calculated. (To be calculated at the time of project implementation.)

6. External Risk Factors

The certainty that crude oil transport from the Cepu Field will commence.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

In the ex-post evaluations of similar previous projects in the railways sector in Indonesia, the following lessons were learned:

(a) Despite the achievement of objectives, which were to increase line capacity and reduce train delays, examples of a reduction in the sustainability of project effects due to the operation and maintenance system were observed.

(b) As an issue indicated in railway operation, technical assistance to improve profitability and management of organizations, etc., is required.

Taking the above factors into consideration, the engineering services will include services such as assistance in improvement of railway business operations, assistance in the establishment of standards and regulations for operation and maintenance, and assistance in establishing an asset maintenance management system. Furthermore, in these areas, JBIC will promote appropriate supervision and project implementation through progress reports and other measures.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation:

To be established at the time of implementing this project.

(2) Timing of Next Evaluation:

To be established at the time of implementing this project.