

Republic of Indonesia

Ex-Post Evaluation of Japanese ODA Loan
“Disaster Recovery and Management Sector Program Loan”

External Evaluator: Masami SUGIMOTO, SHINKO Overseas Management Consulting, Inc.

0. Summary

This program aimed to contribute to Indonesia’s continuing efforts for recovery and rehabilitation from frequently occurring natural disasters by providing financial support appraising the already achieved actions to improve the government’s institutional systems for disaster recovery and management, and by supporting and promoting its further implementation, thereby contributing to the execution of disaster damage alleviation and effective implementation of the recovery and rehabilitation works.

It is judged appropriate that this sector program loan has been provided by appraising already achieved policy actions by the government regarding fundamental and key institutional issues of disaster management. However, the effect of the program implementation itself is not able to be individually recognized and independently evaluated because the program was not implemented in accordance with the mutual agreement in the Loan Agreement (herein after referred to as “L/A”) and the “Memorandum on Disaster and Management Sector Program Loan (hereinafter referred to as “Memorandum”)”. Nevertheless from a different viewpoint with a macro perspective, a series of program loans provided to Indonesia in the 2000s, in which this sector program loan constitutes an integral part, obviously contributed as a whole to the country’s fiscal and economic consolidation and development during the corresponding period.

1. Program Description



Program Location



Wrap-Up Meeting Held at BAPPENAS

1.1 Background

Sharing the similar geological and geographical features and being located in the Circum-Pan-Pacific Volcanic Zone and Asian Monsoon Region, Japan and Indonesia have been commonly suffering serious natural disasters like earthquakes, tsunami, volcanic eruptions and floods. The great earthquake with a magnitude 9.1 whose seismic center was off the coast of the Sumatera Island of Indonesia brought an enormous damage claiming the toll of dead and missing over 230 thousand people. To support its recovery and rehabilitation, Japan extended financial assistance amounting to 640 million U.S dollars to Indonesia, which led to the top-level joint communiqué between the then prime minister Koizumi and president Yudhoyono entitled “The Cooperation between the Two Countries on Disaster Reduction,” and commenced assistance to enhance disaster prevention capacity making



Both countries' meeting at the second “Joint Committee of Indonesia and Japan on Disaster Reduction” (July 24, 2006 at Jakarta)

the best use of the disaster prevention technique and know-how as well as strengthened institutional systems that Japan has developed on its own experience. To further

strengthen the assistance in institutional enhancement for preventing and alleviating natural disaster based on the above announcement, Indonesia and Japan jointly established the “Joint Committee of Indonesia and Japan on Disaster Reduction” co-chaired by the then Minister of State for Disaster Management, the Cabinet Office, Mr. Kutsukake and the Coordinating Minister for People's Welfare, Mr. Bakrie. The second committee held in Jakarta on July 24, 2006 adopted the report entitled “Building the Resilience of Indonesia and its Communities to Disasters for the Next Generation” as a guideline for future disaster reduction measures. Based on that, the Japan International Cooperation Agency (hereinafter referred to as “JICA”) implemented “The Study on Natural Disaster Management Plan (Development Study),” “The Project on Building Administration and Enforcement Capacity Development for Seismic Resilience (Technical Cooperation Project),” “Project on Capacity Development for National Center of Indonesian Tsunami Early Warning System (Technical Cooperation Project)” and “Integrated Disaster Mitigation Management for “Banjir Bandang” (Technical Cooperation Project).”

This sector program loan supports to relieve the government’s financial burden for dealing with the 2007 disasters. In addition to that, being based on the proposals addressed in the above joint committee report, it also assists Indonesia in policy and institutional development regarding dis-

aster management in four key areas; namely (1) Strengthening legal and regulatory framework for disaster management, (2) Organizational strengthening for disaster management, (3) Improving fund channeling and fund management for disaster and (4) Improving disaster management planning and implementation. The monitoring of the progress and performance of the agreed policy actions to be taken was supposed to be carried out by means of the “Quarterly Monitoring Meeting” between Japan and Indonesia with concurrent facilitation of “The Project on Building Administration and Enforcement Capacity Development for Seismic Resilience,” “Project on Capacity Development for National Center of Indonesian Tsunami Early Warning System” and other on-going JICA technical cooperation projects. The joint quarterly monitoring meeting was also expected to function as a continued platform of the bilateral policy dialogue having been initiated by the top-level joint communiqué and the joint committee co-chaired by both ministers in charge of disaster management.

1.2 Program Outline

The objective of this program is to promote Indonesia’s continuing efforts for recovery and rehabilitation from frequently occurring natural disasters by providing financial support appraising the already achieved actions to improve the government’s institutional systems for disaster recovery and management, and by supporting and promoting its further implementation, thereby contributing to the execution of disaster damage alleviation and effective implementation of the recovery and rehabilitation works.

Loan Approved / Disbursed Amount	23,182 million yen / 23,182 million yen
Exchange of Notes Date / Loan Agreement Signing Date	December, 2007 / December, 2007
Terms and Conditions	Interest Rate 0.7% Repayment Period 15years (Grace Period) 5 years Conditions for Procurement: General Untied
Borrower / Executing Agency	Republic of Indonesia / National Development Planning Agency (BAPPENAS)
Final Disbursement Date	December, 2007
Main Contractor (Over 1 billion yen)	N/A
Main Consultant (Over 100 million yen)	N/A

Feasibility Studies, etc.	N/A
Related Projects	<p>(Technical Cooperation Projects)</p> <ul style="list-style-type: none"> ■ The Project on Building Administration and Enforcement Capacity Development for Seismic Resilience ■ Project on Capacity Development for National Center of Indonesian Tsunami Early Warning System ■ Integrated Disaster Mitigation Management for "Banjir Bandang" ■ Integrated Study on Mitigation of Multimodal Disasters Caused by Ejection of Volcanic Products ■ Multi-disciplinary Hazard Reduction from Earthquakes and Volcanoes in Indonesia ■ The Institutional Revitalization Project for Flood Management in JABODETABEK ■ The Project for Enhancement of the Disaster Management Capacity of National and Regional Disaster Management Agencies <p>(ODA Loan)</p> <p>Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan)</p> <p>(Grant Aid)</p> <p>The Project for Improvement of Equipment for Disaster Risk Management</p>

2. Outline of the Evaluation Study

2.1 External Evaluator

Masami Sugimoto, SHINKO Overseas Management Consulting, Inc.

2.2 Duration of Evaluation Study

Duration of Evaluation Study: July, 2014 ~ August, 2015

Duration of the Field Study: October 12 ~ 24, 2014, January 18 ~ 25, 2015

2.3 Constraints during the Evaluation Study

The evaluation was conducted focusing attention on "Relevance" and "Effectiveness" / "Impacts" among the existing five criteria of DAC (Development Assistance Committee). "Efficiency" and "Sustainability" were excluded from the evaluation criteria since quantitative comparison between inputs and outputs is difficult to make for the former, and the effects of budget support are provisional or irreversible (subject to external factors such as international economic environment surrounding Indonesia and politics, economy, and social trend within the country) for the latter.

As regards rating, since evaluation of budget support takes into consideration of each country context, and does not adapt to unified rating, unlike the cases of evaluation of ODA loan projects, it was decided not to give overall rating nor rating for each evaluation criterion.

It was supposed to be implemented in such a way that the local currency (counterpart) received by the government as payment for the disbursed yen currency should be only used for the works of recovery and rehabilitation from disasters, and progress monitoring of the actions to be taken according to the agreed policy matrix as well as facilitation of the on-going technical cooperation projects should be carried out by joint quarterly monitoring meetings. However, due to the lack of actual execution of the above agreements, the implementation effectiveness of this program was not able to be individually evaluated.

3. Results of Evaluation

3.1 Relevance

3.1.1 Relevance to the Development Plan of Indonesia

Indonesia's National Medium Term Development Plan (hereinafter referred to as "RPJMN") 2004 ~ 2009 held up the "Creation of Indonesia that is Safe and Peaceful" as one of the main agenda together with other two overall development goals. Based on that, the annual action plan for the year 2007 prioritized institutional strengthening of the disaster management sector both at national and regional levels, reduction of disaster risks and prevention, capacity enhancement of community disaster prevention and precaution against disaster along with the early recovery of disaster damages. The Indian Ocean Earthquake and Tsunami in December 2004 highlighted disaster control measures and management as emergent issues to be tackled. The current RPJMN 2015 ~ 2019 accommodates nine priority issues called "Nawa Cita" which was proposed by the new President Joko Widodo who was inaugurated on October 20, 2014, one of which is "realization of self-reliant economy by promoting further development of strategic sectors of the domestic economy" that nominates "disaster management and its risk reduction" as a priority requirement. The consistency of this program has been thus consistently high with the economic development plans of Indonesia.

3.1.2 Ex-Ante Evaluation and Policy Matrix

The policy matrix agreed in this program (Table 1 in 3.3 Implementation of Policy Actions and its Effects) extracts central issues in the Disaster Recovery and Management Improvement Plan led by Mr. Sugeng Triutomo, Deputy Chief of the National Disaster Management Agency (hereinafter referred to as "BNPB") after the most disastrous damage brought by the 2004 Indian Ocean earthquake and tsunami based on the joint proposal in the report of the "Joint Committee of Indonesia and Japan on Disaster Reduction." The "Legal Development," "Strengthening of Institutional Function," "Improvement of Budgeting and Financial System" and "Disaster Preven-

tion Planning and Strengthened Implementation” are the four integral pillars of disaster management among which the priority of the following fundamental components which had been already achieved before this program was critically high and consistent with the rest of issues that follow.

The following actions had been already achieved before this program.

1. Strengthening legal and regulatory framework for disaster management

- Enactment of the “Disaster Management Law (No.24/2007)”
- Drafting of Presidential Regulations under the Law (No.24/2007)

2. Organizational strengthening for disaster management

- Preparation of the Plan for Organizing BNPB

3. Improving fund channeling and fund management for disaster

- Preparation for Disaster Management Fund Channeling Scheme

4. Improving disaster management planning and implementation

- Launching National Action Plan for Disaster Risk Reduction

This program loan belongs to the so-called “backward looking type loan” under which the loan funds are provided confirming that a part of basic policy actions has been achieved by the partner country’s government. It is thus judged appropriate to have decided to provide this program loan by appraising already achieved policy actions by the government regarding fundamental and key issues of disaster management.

3.1.3 Relevance to the Development Needs of Indonesia

Indonesia is prone to natural disasters including earthquakes, tsunamis, floods, volcanic eruptions and so forth. Since these adverse circumstances have been inherent obstacles to the country’s sustainable development, sufficient preparedness and effective measures against disasters were urgently needed. Earthquakes, floods, volcanic eruptions and other natural disasters occurred in 2007 brought the cumulative extent of damage up to September in that year amounting to 2,300 million U.S. dollars and about 23,000 people fell victim to the natural calamities. The financial burden of the government to cope with the disasters amounted to 800 million U.S. dollars, and the budget support needs by a program loan then increased. In spite of such conditions of recurrent occurrence of various kinds of natural disasters, the legal and regulatory framework was quite immature at the time. Additionally, there was no professional institution to comprehensively undertake disaster issues, consequently ad hoc measures were being taken inconsistently by different agencies. There were not specific budgeted expense items either to exclusively finance disaster issues, so the tasks were being done appropriating existing other expense items without established fund channeling mechanisms, which was chronically preventing smooth recovery works with ad hoc application of budget allocation to relating ministries and agencies involved. Lack of disaster management plans and hazard maps at both national and regional levels was preventing proper countermeasures to be taken efficiently and effectively, which was inviting extended

damages that could have been prevented or minimized if the proper disaster management systems had been in order. Especially early predictive alarming with transmission of warning and instruction systems were seriously unprepared for tsunami human damages of which could be minimized under appropriate systems and their operation. As will be stated later in Section 3.3, the achievement and performance of institutional development in the disaster management sector in Indonesia has been remarkable. However as mentioned in Section 4.2.1, there still exist areas to be further developed, and continued efforts remain needed. Therefore, needs for institutional improvements in the legal, organizational, financial and planning aspects are consistently high throughout the period from the ex-ante to the ex-post evaluation stages.

3.1.4 Relevance to Japan's ODA Policy

The Japanese government's "Country Assistance Policy for Indonesia (November 2004)" puts forward assistance for disaster management concurrently with natural conservation in the "Peace and Stability" which is one of its priority areas. Comprehensive area including disaster recovery and disaster prevention was also included in the sections on priority areas about "Assistance for Poverty Alleviation" and Assistance for Global Issues and Peace-Building" in the "Overseas Economic Assistance Implementation Policy (JICA)" in April 2005 which announces active participation in disaster recovery in Indonesia. "Assistance for Redressing Imbalance and Building of Safe Society" is one of the priority areas of the "Country Assistance Policy for Indonesia (April 2012)," and in order to achieve that target it announces to implement assistance for strengthening domestic "connectivity" by means of improving main transportation and distribution networks and development of regional core city areas and assistance for disaster management.

Thus, the assistance for disaster management has been consistently addressed as a priority area of Japan's ODA policy.

3.1.5 Relevance of Mode and Amount of Fund Provision

Total amount of the national budget of Indonesia in 2007, the year of the Ex-ante Evaluation of this program, was 7,636, 000 million yen on a disbursement basis and the fiscal deficit in the same year was 488,000 million yen out of which the ODA loan amount 23,182 million yen of this program made up 0.3% and 4.75% respectively. From a different aspect, the Japan's contribution to the Consultative Group on Indonesia (hereinafter referred to as "CGI") then was approximately 20 to 30 %. It was also potentially possible for this assistance to put the fund on top of the consecutively provided "Development Policy Loans" (hereinafter referred to as "DPL"), however, because of its target limited to the independent specific area, disaster recovery and management, it was judged inappropriate to be involved in DPL whose objectives are economic, financial and other macro issues. In that sense, the mode of assistance was considered appropriate. Indonesian government regards this program loan as a general budget support to partially make up the 2007 fiscal deficit. As stated above, the fiscal deficit of the year 2007 was about 488,000 million yen,

and the government filled up this gap with domestic fund raising by issuing national bond and external foreign assistance (cf. **Table 2** in Section **3.4.2 Program Loans' Contribution to the Indonesian Economy in 2000s**). National bond amount to be issued is subject to the possible amount of the external fund sources, therefore the balance of both is fluid depending on the prevailing situation. Regarding this program loan assistance as a supplemental fund to fill the fiscal deficit, it is not possible to objectively or absolutely judge the appropriateness of the amount supplied, 23,182 million yen, not like the case of a project loan. Because eventually it is supposed to be adjusted by the counterpart source of the national bond irrespective of the amount of fund provided. In case of the "Poverty Reduction Support Credit (PRSC)" of Vietnam which is a joint finance with other donors, it may be possible to judge the appropriateness of the amount of the JICA program loan in comparison with the contribution of the co-financiers. But it is not applicable to this program loan which is a JICA's independent finance.

3.1.6 Summary

To summarize the results of analyses on the program relevancy from various aspects above, although the relevancy of the amount of the fund provided could not be rationally confirmed, the program has been highly relevant to the country's development plan, development needs, as well as to the Japan's ODA policy. Therefore its relevance is high.

3.2 State of Program Implementation

In order to acquire the following outputs expressed in Section **1.2 Program Outline**, this program was supposed to carry out the following requirements.

1. Support of the recovery and rehabilitation from the natural disasters.

A: Use the local currency (counterpart) funds converted from the proceeds of the ODA loan for the recovery and rehabilitation of the natural disaster occurred in 2007 except for (1) the projects related in the Sidoarjo mud flood¹ and (2) future disaster prevention projects such as the Jakarta east and west flood control channels project (L/A Article I, Section 2 (2)). Promptly, but in any event not later than one year after the completion of the disbursement, the Borrower shall submit the Statement of Expenditure (herein after referred to as "SOE"). (L/A Article III, Section 4 (6))

2. Appraisal of the already achieved policy actions regarding institutional improvement regarding disaster management.

B: This is done as the Ex-ante Evaluation (program appraisal) for the ODA loan provision.

3. Support implementation of the institutional reform program regarding natural disaster management.

¹ The hot mud spout accident that occurred at Kabupaten Sidoarjo, East Java Province on May 29, 2006, just two days after the Central Java Earthquake. It was triggered by an experimental drilling of natural gas well and the blowout is still continuing at the time of this ex-post evaluation.

C : The Japan ODA task force² and Indonesian representatives of relevant line ministries and agencies hold quarterly monitoring meetings under the coordination of BAPPENAS until April 2009 to monitor the progress and the achievement of policy actions under the program and to facilitate on-going JICA technical assistance. (Memorandum on July 9, 2008)

Against the above requirements agreed, actual implementation performance was as follows.

A: Disbursed ODA loan was once received at a special account opened at the central bank (Bank of Indonesia, hereinafter referred to as “BI”). After being immediately converted into rupiah, the whole amount was transferred to the general budget account. The percentages of ODA loan amount of 23,182 million yen are 0.3% and 4.75% of the total government revenue and fiscal deficit respectively, and payments for recovery from natural disasters occurred in 2007 had been mostly disbursed before the loan disbursement on December 14, 2007. Therefore the monetary contribution of this program is minimal. Because the whole loan amount was transferred to the general budget account and was not separately managed in independent book and bank accounts as stated above, it cannot be confirmed whether the assistance fund has been spent only for the payments of the recovery and rehabilitation from the 2007 disaster which is stipulated in L/A Article I, Section 2 (2), or never used for the non-eligible items like the projects related in the Sidoarjo mud flood and future disaster prevention projects such as the Jakarta east and west flood control channels project. As a matter of fact, the fund from this program loan proceeds could be discretionarily spent for any expenditures from the national budget. Since preparation of the SOE to report own payment from the program fund is impossible under this situation, the government submitted a list of disaster budget allocation to regions instead of the SOE obligated in L/A.

B: The actions stipulated on the policy matrix are rationally selected based on the joint proposal by the Joint Committee report, therefore the decision of the loan provision appraising the already achieved items was judged appropriate.

C: The ODA task force and the team of relevant ministries and agencies were not organized and the quarterly monitoring meeting for implementation progress monitoring of policy actions and facilitation of on-going technical assistance have not been held at all accordingly.

3.3 Implementation of Policy Actions and its Effects

A comprehensive institutional improvement plan to deal with the whole aspects consisting of legal, organizational, budgetary/financial and planning/implementation, which had been a bottleneck to proper disaster management operations, was prepared under the leadership of Mr. Sugeng Triutomo, Deputy Chief of the National Disaster Management Agency. The policy matrix agreed in the Ex-ante Evaluation (Appraisal) of this program was also entirely based on that plan.

² Planned members were JBIC (at that time), JICA (at that time) and the government of Japan (Japanese Embassy in Indonesia).

Table 1: Policy Matrix

Institutional Area	Already Achieved Actions	Actions to be Taken Hereafter
Strengthening legal and regulatory framework for disaster management	<ul style="list-style-type: none"> ● Enactment and Enforcement of Disaster Management Law (No.24/2007) ● Drafting of Government and Presidential Regulations under the Law 	<ul style="list-style-type: none"> ➤ Issuance and Enforcement of Detailed Implementation Regulations of Disaster Management Law ➤ Issuance and Enforcement of Establishment of BPBD
Organizational strengthening for disaster management	<ul style="list-style-type: none"> ● Preparation Plan for Organizing BNPB 	<ul style="list-style-type: none"> ➤ Establishment & Operation Commencement of BNPB ➤ Establishment & Operation Commencement of BPBD (Provincial Level)
Improving fund channeling and fund management for disaster	<ul style="list-style-type: none"> ● Preparation for Disaster Management Fund Channeling Scheme 	<ul style="list-style-type: none"> ➤ Launching the Disaster Management Fund Scheme
Improving disaster management planning and implementation	<ul style="list-style-type: none"> ● Launching National Action Plan for Disaster Risk Reduction 	<ul style="list-style-type: none"> ➤ Preparation of National Disaster Management Plan ➤ Preparation of Regional Disaster Management Plan (Pilot Municipalities) ➤ Execution of Refuge Exercise ➤ Setting Up of Disaster Response Regional Depot ➤ Setting Up of Tsunami Early Warning System

Source: Material Documents Provided by JICA

The progress achieved in implementation of main policy actions as of the second evaluation field study (February, 2015) and their outcomes are as follows.

1. Strengthening legal and regulatory framework for disaster management

Actions to be Taken At Ex-Ante Evaluation	Other Laws and Regulations Already Enacted, Enhanced or Applied
<ul style="list-style-type: none"> ➤ Issuance and Enforcement of Detailed Implementation Regulations of Disaster Management Law (Already Achieved) ➤ Issuance and Enforcement of Establishment of BPBD (Already Achieved) 	<ul style="list-style-type: none"> (1) Presidential Decree No.8/2008 (on Establishment, function, organizational structure, etc. of BNPB) (2) Government Regulation No.21/2008 (on Disaster management operation. Division of authority, roles and implementation works, etc. of relating agencies at prediction & prevention (pre), recovery (during) and rehabilitation (post) stages of disasters) (3) Government Regulation No.22/2008 (on Funding and management of disaster rehabilitation assistance of central and regional governments) (4) Government Regulation No.23/2008 (on Roles of international organizations and Non-Governmental Organizations (NGOs) for disaster management) (5) Guideline for establishing BNPB (6) Guideline for establishing Regional Disaster Management Agencies (hereinafter referred to as BPBD) (7) Law No.26/2007 (on Spatial Planning) (8) Law No.27/2007 (revised by No.1/2014) (on resource conservation, rehabilitation and utilization of small islands and coastal area by natural disaster risk reduction) (9) Government Regulation No.26/2008 (on policy and strategy for spatial planning) (10) Government Regulation No.64/2010 (detailed regulation on (8) above) (11) Finance Minister's Regulation No.105/PMK.05/2013 (on disaster budgets and their execution mechanism)

2. Organizational strengthening for disaster management

Actions to be Taken At Ex-Ante Evaluation	Effect of Implementation
<p>➤ Establishment & Operation Commencement of BNPB (Already Achieved)</p>	<p>Before the establishment of BNPB, measures for disasters at prevention, recovery/rehabilitation phases were taken ad hoc by relating agencies led by the Indonesian National Board of Disaster Management (BAKORNAS PB) being chaired by the Vice President. Besides, weakness in planning and coordination was prevailing in other aspects than disaster recovery (during), lacking prevention (pre) and rehabilitation (post) phases. After BNPB has been established, the measures became able to be consistently taken under the unitary management system. On the other hand, however, the head of BNPB of equal rank with a minister is disadvantageously granted less authority than the previous head of BAKORNAS, the Vice President, to exercise stronger command to ministries and other institutional bodies, commented Mr. Sugeng.</p>
<p>➤ Establishment & Operation Commencement of BPBD (Provincial Level) (Already achieved in whole 34 Provinces, achieved in 431 Kabupatens out of total 465)</p>	<p>Without BPBD before, all the disaster measures had been taken centrally. Now under BPBD, all the measures for prevention, recovery and rehabilitation aspects at the regional level have become able to be carried out orderly and consistently. Additionally, the recognition and capability to cope with disasters has increased at the regional level. The organizational strengthening of BPBD is under way by the “Project for Enhancement of the Disaster Management Capacity of National and Regional Disaster Management Agencies” under JICA.</p>

3. Improving fund channeling and fund management for disaster

Actions to be Taken At Ex-Ante Evaluation	Effect of Implementation
<p>➤ Launching the Disaster Management Fund Scheme (Already created and executed three kinds of budget items based on Ministry of Finance Regulation No.105/PMK.05/201, July 26, 2013 regarding “Disaster-Oriented Budget Implementation Mechanism,” and their execution mechanism is also fixed. Those have already practically operated.</p>	<p>The national and regional budgeting, recovery works assisted by international organizations or people, management and usage of disaster rehabilitation fund are now efficiently and consistently conducted under BNPB and BPDB. Fund for disaster recovery had been raised ad hoc, but three kinds of budgets; namely “Disaster Contingency Fund,” “On-call Fund” and “Social Assistance Fund as Grant” are available now rationally providing against disasters and being smoothly allocated. Being under management of the BNPB’s control, budget and funds for disaster have become more transparent and disaster related activities are now conducted in more standardized and consistent manner.</p>

4. Improving disaster management planning and implementation

Actions to be Taken At Ex-Ante Evaluation	Effect of Implementation
<p>➤ Preparation of National Disaster Management Plan (Already achieved 2010 ~ 2014 and operated. 2015~2019 plan is awaiting approval by the new cabinet.)</p>	<p>National Disaster Management Plan has been prepared within the framework of the National Development Plan and positioning of the disaster became clearer in national development.</p>
<p>➤ Preparation of Regional Disaster Management Plan (Pilot Municipalities) (Achieved for all the 34 provinces and 64 kabupatens.)</p>	<p>Regional Disaster Management Plan has been prepared within the framework of the Regional Development Plan and positioning of the disaster became clearer in regional development.</p>
<p>➤ Execution of Refuge Exercises (being implemented regularly)</p>	<p>Periodic exercises which had not been executed before inspired people’s awareness of disaster management risks and strengthened capacities for self-protection against natural disasters.</p>

<p>➤ Setting Up of Disaster Response Regional Depot (Set up a model depot in Padang, North Sumatera)</p>	<p>It is planned to set up regional depots at twelve locations each of which covers three to four provinces eventually and expected to remarkably facilitate timely delivery of disaster supplies and equipment to disaster stricken areas.</p>
<p>➤ Setting Up of Tsunami Early Warning System (Already operating since 2010 a system that can dispatch warning signal within five minutes.)</p>	<p>The national level system has been already set up and operated. However at the regional level, emergency information transmission means to local residents at the village community level is still limited, which restricts the system to operate effectively.</p> <p>Additionally, the following kinds of disaster related equipment have been installed at the time of the 2nd field study, but their coverage is still unsatisfactory and require further expansion.</p> <ul style="list-style-type: none"> ● Broadband seismograph stations: 148 locations ● Accelerographs: 85 locations ● Tide gauges: 75 locations ● DART (Deep-ocean Assessment and Reporting of Tsunamis) Buoys: 19 locations ● GPS (Global Positioning System) Stations: 19 locations
<p>➤ Diffusion of Safe School (Sekolah Aman)</p>	<p>Recognizing that 75 % of schools throughout Indonesia are located at places with high risks of earthquakes and other natural disasters, the government has been expanding “safe schools.” Setting out standards regarding locational factor, architectural and equipment conditions and carrying out disaster education under BNPB, the government has been providing schools that meet the required conditions. In West Java and West Sumatera Provinces, one hundred model schools have been developed and further extension is going on.</p>

3.4 Effectiveness

3.4.1 Effectiveness of This Sector Program Loan

As discussed in the preceding section, the policy actions agreed in this program have been implemented rather in an extended manner and generating expected program effects. However, as pointed in Section **3.2 State of Program Implementation**, the proceeds of this program loan was not exclusively used for the particular purposes stipulated in L/A, and the quarterly meetings which were supposed to conduct implementation monitoring and promotion of the policy actions and facilitate on-going technical assistance projects have never been held either. As stated in the previous section, the smooth progress and achievements of the policy actions were independently conducted with the own efforts of BNPB and Ministry of Finance, and therefore the fact that this sector program loan has promoted the implementation and the generation of the program effects was not recognized.

During the two batches of field evaluation surveys in Indonesia, BAPPENAS, the Ministry of Finance and BNPB which were directly involved in this program officially announced their views as follows.

- (1) The purpose of this ODA loan was to fill the fiscal deficit of the year 2007 as a general budget support, not a sector support. The fund was therefore wholly converted to rupiah and put in the general budget with no intention to limit its use for some particular purposes. If there had not been this program loan and therefore the fiscal gap had been financed by the government's general budget, some government projects would have been sacrificed. However, according to the Ministry of Finance, if they had not received this program loan, the government would have issued additional national bonds. It is therefore judged that there were no sacrificed government projects or activities³. The percentage of this loan assistance was approximately 4.75% in the total fiscal gap in 2007. On the other hand, the ratio of domestic fund source as on the increase throughout the 2000s and has been overwhelming foreign sources. (Cf. **Table 2**) (Ministry of Finance)
- (2) Regardless of this program, the Indonesian side has been recognizing importance of disaster prevention and taking measures for it. (BNPB, BAPPENAS)
- (3) There was no informal effect or impact by this ODA loan entitled "Disaster Recovery and Management" in particular on prioritized budget allocation to the sector. (Ministry of Finance, BNPB, BAPPENAS)

As has been analyzed above, it is difficult to individually identify the effect and impact independently brought about by this program loan. However, considering the fact that this ODA loan forms a part of a series of program loans⁴ provided to Indonesia, it is possible to analyze their

³ It may be possible to regard that the "crowding out effect" to crowd out private investment with increased market interest rate caused by large-scale issuance of national bonds would have been curbed by controlled national bond issuance that would have been bigger if this program loan had not been provided.

⁴ While a project loan provides funding for targeted development works like infrastructure construction, a program

overall effect of the consecutive program loans as follows from a macro viewpoint.

Following Section 3.4.2 attempts to clarify its background and analyze the influence of a series of the program loans upon the total economy and finance of Indonesia.⁵

3.4.2 Contribution of Program Loans to Indonesian Economy in 2000s

1. Background

Under the government of President Yudhoyono who is the first elected president of Indonesia, the following changes were executed in receiving foreign aid. Under that circumstances, this program loan was formed being stimulated by the growing concern in international cooperation for the disaster management sector provoked by the 2004 Indian Ocean Great Earthquake and Tsunami.

The 2005 Paris High Level Forum on Aid Effectiveness stressed in its “Paris Declaration for Aid Effectiveness” the importance of effective development assistance through the program approach including concepts stated below and confirmed the implementing guideline based on the recipients’ development policy⁶. It takes development programs as the policy system that developing countries implement for development and intends to define donors’ assistance as the activities to support them.

- Strengthen recipient countries’ national development plans and its operational framework
- Promote alignment to the recipient countries’ development priorities, institution and procedures and assist in institutional capacity strengthening
- To promote collective actions and constructive alignment to the priorities, institution and procedures, reform and simplify donors’ assistance policy and procedures.

Besides, CGI which had been assisting since 1992 was abolished in 2007 when this program loan was provided. The reasons are regarded as follows⁷.

- (1) It became less meaningful as an integrated fund raising meeting after Indonesia had got out of the 1998 Asian Currency Crisis.
- (2) As the regime of the first elected president, it was needed to get rid of the image of the country’s foreign dependence or leadership.
- (3) Under the circumstances in which the government is able to make aid coordination having dialogues with three major donors, the World Bank, the Asian Development Bank and Japan,

loan supports recipients’ general or specific sector budgets without targeting particular development undertakings as well as assists in implementation of economic or institutional reforms. Starting with the “Sector Program Loan” amounting to 100,000 million yen to relieve economic difficulty caused by the Asia Currency Crisis in 1988, Japan had been providing eighteen program loans totaling up to 438,277 million yen until 2013. (Data provided by JICA)

⁵ The following analysis is basically based on the monograph of Mr. HIROTA Koki entitled “Recovery of Indonesian Economy and Role of Program Loans,” (Japanese) The Journal of Economic Science Volume 10, Saitama University, April 2013.

⁶ MIYOSHI Koichi “Evaluation of Development Assistance and Relating Issues,” (Japanese) Trends in Development Assistance, Foundation for Advanced Studies on International Development (FACID), March 2008.

⁷ The Ministry of Foreign Affairs of Japan “Country Assistance Evaluation of Indonesia,” (Japanese) March 2008

which occupy most of the assistance for Indonesia, it became less important to keep CGI convening many donors all at once.

2. Trend of Financial Conditions and Change in Aid Receiving Policy in Indonesia

Although the financial conditions of Indonesia has improved during the 2000s, the basic situation in which closing the fiscal gap involving repayments of foreign loans and national bonds with their additional receiving and issuance still continues. While attempting to increase the ratio of fund raising in the domestic market basically, preference for the program loans was increasing. In addition, its effort to diversify and disperse the financial portfolio further increased the demand for program loans. The increased importance of policy dialogues with the three big donors centering on the program loans is also counted as one of the elements reflecting the above mentioned factor (3).

Table 2: Trend of Fiscal Condition of Indonesia

(Trillion rupiah)													
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Domestic Revenue	300	299	341	403	495	638	709	982	869	1,199	1,211	1,336	1,430
Grants													
Expenditure	342	316	377	427	510	671	757	986	954	1,290	1,295	1,482	1,639
Budget Surplus / Deficit	-42	-17	-36	-24	-15	-33	-48	-4	-85	-91	-84	-146	-209
Financing	41	26	32	21	11	32	49	85	126	157	131	180	230
Domestic Financing	31	25	32	49	21	52	73	103	143	170	149	199	243
Foreign Financing	10	1	0	-28	-10	-20	-24	-18	-17	-13	-18	-19	-13
Foreign Aid (In)	26	19	20	18	27	33	34			45			
Foreign Aid (out)	16	18	20	46	37	53	58			58			

Source: The Ministry of Foreign Affairs of Japan "Country Assistance Evaluation of Indonesia," 2008,
Bank of Indonesia "Annual Economic Report on Indonesia"

(Note) Figures until 2007 are taken from the former source and thereafter from the latter, therefore strict consistency between both is not assured. However, the table provides a general trend throughout the period.

The following **Table 3** and **Table 4** show increase of the ratio of the amount of program loans in the Indonesia's foreign loans from 24.4% in 2001 to 40.4% in 2007. The ratio of the program loan in the Japan's total ODA loans also increased from 9.4% in 2004 to 18.8% in 2006.

Table 3: Change of Composition in Foreign Loans to Indonesia

(% , Disbursement basis)							
Year	2001	2002	2003	2004	2005	2006	2007
Program Loans	24.4	38.0	8.8	28.1	45.7	40.6	40.4
Project Loans	75.6	62.0	91.2	71.9	54.3	59.4	59.6

Source: The Ministry of Foreign Affairs of Japan "Country Assistance Evaluation of Indonesia," 2008

Table 4 : The Ratio of Program Loans in Approved ODA Loans of Japan

(100 million yen, Commitment Basis)

Year	ODA Loans	Program Loans	Ratio
2004	1,148.3	107.9	9.4%
2005	930.1	117.3	12.6%
2006	1,252.3	235.5	18.8%

Source: The Ministry of Foreign Affairs of Japan “Country Assistance Evaluation of Indonesia,” 2008

(Note) While the project loans are disbursed in a relatively long implementation period after the signing of L/A, the program loans are normally disbursed at a time immediately after the L/A signing. There are also installment tranche disbursements, but this program loan belongs to the former type. Therefore a simple annual comparison, both disbursement and commitment based, is not necessarily meaningful enough, however, it can provide relative weight between the two in general.

3. Japan’s Assistance to Disaster Management Sector and Program Loans

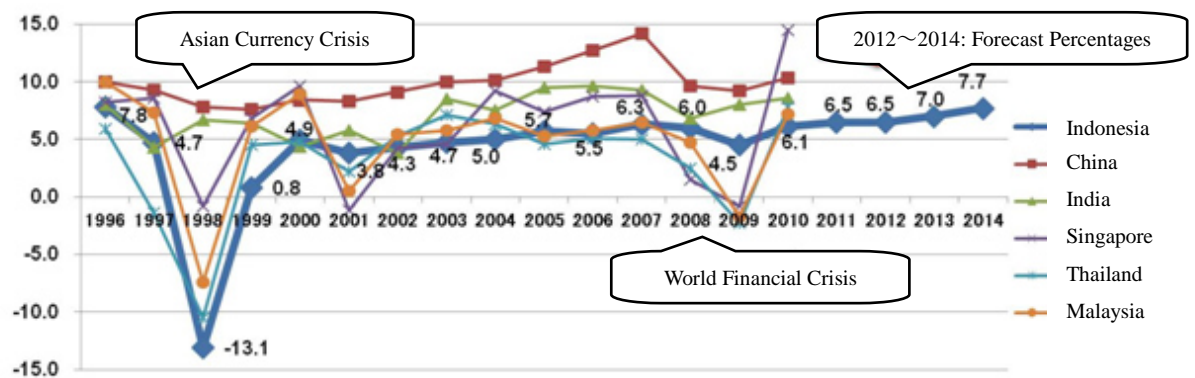
In parallel with “Private Sector Oriented Sustainable Growth” as a short and medium-term target and “Establishment of Democratic and Equitable Society” as a medium and long-term strategy, the Japan’s Country Assistance Strategy at the time of 2007 announced its long-term goal to realize “Peace and Stability,” the contents of which were “Environmental Conservation” and “Disaster Management.”

For Indonesia which was seriously stricken by a series of earthquake disasters including the Indian Ocean Earthquake and Tsunami in December 2004 and the Central Java Earthquake in May and July in 2006, it was urgent to establish a sound government organization and institution to cope with natural disasters. To respond to that request, Japanese government decided to give assistance by providing a sector program loan. It should be regarded that the provision of this program loan was one of the aspects of Indonesia’s changing policy regarding aid receiving by increasing the ratio of program loans.

4. Contribution of Program Loans to Economic Strengthening of Indonesia in the 2000s

The Indonesian economy has remarkably improved with increased resilience throughout the 2000s and thereafter. Indonesia had experienced serious damage in the 1998 Asian Currency Crisis with a negative 13.1% GDP growth rate which represented the biggest economic downturn within the ASEAN region. In turn being faced with the following world financial crisis caused by the 2008-9 Lehman Shock, Indonesia still kept growing at 4.6% and has been continuing its positive economic growth since then with over 6% per annum. It also keeps sound financial performance with fiscal improvement (cf. **Table 2: Trend of Fiscal Condition of Indonesia**), decrease of ratio of total debt amount vis-à-vis GDP and foreign exchange reserve accumulation.

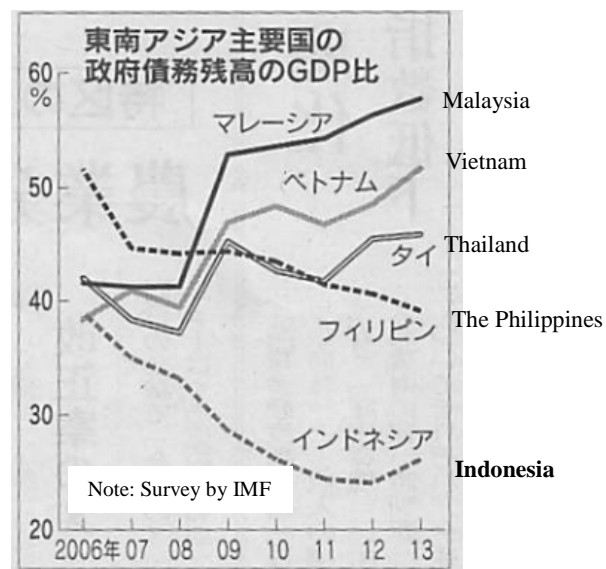
Figure 1: Trend of Net GDP Growth Rates of Asian Countries



Source: Tominaga Ken-ichi "Potentiality and Risks of Indonesia" (Japanese),

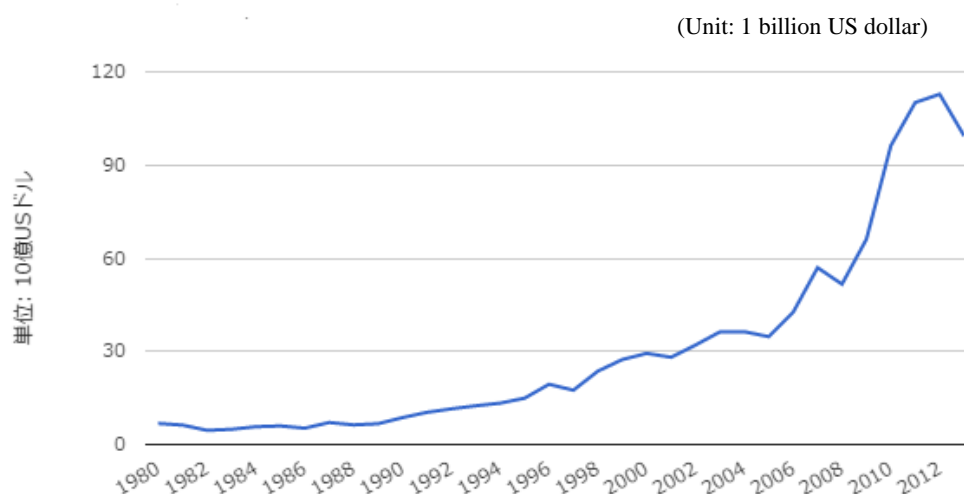
e-Nex December 2012 (<http://nexi.go.jp/webmagazine/feature/004610.html>)

Figure 2: Ratio of Total Government Debt to GDP in Southeast Asian Countries



Source: The Nikkei Morning Edition, October 11, 2014

Figure 3 : Trend of Foreign Exchange Reserve of Indonesia



Source: Sekaikeizai no Netacho (http://ecodb.net/country/ID/f_reserve.html)

The period when the Indonesia achieved good and sound economic performance in various aspects corresponds to the time in which it was increasing the ratio of program loans in foreign fund raising.

5. Change in Modes of Program Loan Provision

Aside from the change in their quantity and share of the program loans as seen in the previous **Table 3 and 4**, the following transition in modes of provision is also observed⁸.

a. From “Balance of Payment Support” to “Budget Support”

Change in target of finance from the support for reduced foreign exchange reserve due to unfavorable balance of payment conditions to general or sector budget support.

b. From “Conditionality” to “Policy Dialogue”

Change in conditions of assistance provision from “Conditionality” almost imposed by donors to mutual agreement on policy actions to be taken for reforms through policy dialogues and joint monitoring of their implementation progress.

c. From “Forward Looking” to “Backward Looking” to decide and disburse the finance

Change in method of decision making for providing assistance from agreement in advance based on predetermined conditions to confirmation of already achieved policy actions. Under the former method, fund is disbursed according to the achievement of predetermined policy actions during the assistance period, whereas in the latter, the fund is disbursed soon after the

⁸ HIROTA Koki, op. cit. (Footnote 5) P.56~57

contract signing.

d. From Installment to Single Tranche Disbursement

The “Tranche” is a unit of disbursements made on achievement of conditions. Change from installment disbursement of the agreed loan amount to a one-time disbursement.

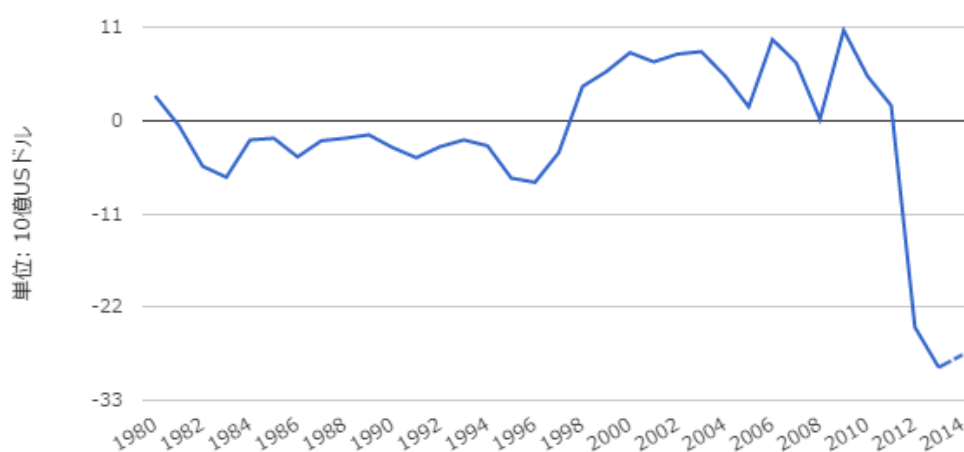
It can be recognized from the following fact that the above transition in mode of provision of program loans did contribute toward reforming the Indonesian economy and its steady performance in the 2000s discussed above coupled with the quantitative increase during the period.

The forerunner of the program loan was the IMF’s standby credit to have provided finance to countries facing an international balance of payments crisis. The fund was provided on conditions (conditionalities) that the recipient must commit to carry out necessary policies to recover from the crisis. The World Bank’s structural adjustment lending (SAL) started in 1980s was also a balance of payment support. Also in the sphere of project loans, the Japan’s ODA loans before the introduction of the prorated local financing used to be a sort of the balance of payment support also limiting its financing to the foreign currency expenditure portion. Since the World Bank has started DPL in 2004, new-type program loans changed their purpose from the balance of payment support to the budget support.

Although the current account balance was dropped from 2013 due to the sharp decline in the current balance surplus, it was maintained positively throughout the 2000s. This timely change in the object of financing enabled Indonesia to consistently enjoy the benefit of the program loans.

Figure 4: Trend of Current Balance of Indonesia

(Unit: 1 billion US dollar)



Source: Sekaikeizai no Netacho (http://ecodb.net/country/ID/f_reserve.html)

Indonesia implemented a great number of infrastructure and other development projects until the 1990s under the centralized “development dictatorship” of President Suharto for which Japan made much contribution providing ODA project loans. However under the drastically progressing decentralization in the post-Suharto new decade, the fiscal structure has much changed also from weighted spending for development expenditures to rapidly increased allocation to regional development subsidies. Fuel and other subsidies became the second biggest following the subsidies for regions. In 2007 when this program loan was provided, the central government was significantly burdened with increased subsidies affected by the hiked oil price.

For the economic administration to cope with the diversified fiscal conditions above, program loans with untied usage are quite manageable for the government. In addition, the factors of the backward-looking loan provision, quick and timely disbursement in a single-tranche and increased predictability of incoming cash flow are quite a favorable device of the fund raising for the government which was proceeding national development. Coupled with its proper policy execution, it is considered that Indonesia could successfully conduct its economic and fiscal reform during the period of 2000s.

This program loan was followed by the “Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan) ,” and “the emergency budget support ODA loan” was added on its top to relieve the Lehman Shock economic crisis. To cope with an urgent financial assistance need of countries that are consecutively receiving program loans, it thus became possible to immediately supply fund on top of the other existing program loans utilizing it as a platform of a prompt rescue of economic crisis.

3.4.3 Summary

In conclusion, being difficult to verify the independent contribution of this program loan to the development of the disaster recovery and management sector of Indonesia as its title articulates, it is considered, as significant part of a series of Japanese program loans provided to Indonesia in the 2000s, that this program loan could contribute to the Indonesia’s economic and fiscal development and consolidation during the corresponding period.

3.5 Dormancy of Bilateral Policy Dialogue and Effort for its Revival

A program loan generally consists of two primary elements; namely (1) policy dialogues to promote specific reforms and (2) fund provision for conducting institutional reform and/or development activities⁹. As discussed above, being induced by the 2004 Indian Ocean Earthquake and Tsunami, Japan's assistance to the disaster related area of Indonesia was initiated by the top-level joint communiqué between the heads of both countries and the succeeding high-level joint committee co-chaired by both ministers in charge. This program loan was given a role of the implementation by fixing the policy matrix and its execution on the bilateral policy dialogue platform prepared as a part of its scheme. However in reality, what was implemented was only the fund provision (the second pillar) but the policy dialogue (the first pillar) has never been conducted under the both countries' coordination as the expected function as a bilateral discussion platform. The policy actions were taken over to the Climate Change Program Loan, however, they have not been mounted on the program's policy dialogue platform either. The Indonesian side regretted this fact and has been strongly hoping for its revival. Fortunately, it was recently commenced by the first "Indonesia-Japan Disaster Management Collaboration Dialogue Workshop" held in Jakarta on November 27, 2014 under the new regime of the President Joko Widodo inaugurated in October of the same year.



Face-to-face discussion with Mr. Sugeng Triutomo, a person in authority in Indonesian Disaster management, at BNPB

4. Conclusion, Recommendations and Lessons Learned

4.1 Conclusion

This program aimed to contribute to Indonesia's continuing efforts for recovery and rehabilitation from frequently occurring natural disasters by providing financial support appraising the already achieved actions to improve the government's institutional systems for disaster recovery and management, and by supporting and promoting its further implementation, thereby contributing to the execution of disaster damage alleviation and effective implementation of the recovery and rehabilitation works.

It is judged appropriate that this sector program loan has been provided by appraising already achieved policy actions by the government regarding fundamental and key institutional issues of

⁹ HIROTA Koki, op. cit. (Footnote 5) P.56

disaster management. However, the effect of the program implementation itself is not able to be individually recognized and independently evaluated because the program was not implemented in accordance with the mutual agreement in the Loan Agreement (herein after referred to as “L/A”) and the “Memorandum on Disaster and Management Sector Program Loan between Japan Bank for International Cooperation (JBIC) and National Development Planning Agency (hereinafter referred to as “BAPPENAS”), Ministry of Finance” on July 9, 2008 (hereinafter referred to as “Memorandum”) . Nevertheless from a different viewpoint with a macro perspective, a series of program loans provided to Indonesia in the 2000s, in which this sector program loan constitutes an integral part, obviously contributed as a whole to the country’s fiscal and economic consolidation and development during the corresponding period.

4.2 Recommendations

4.2.1 Recommendation to Executing Agency

1. The performance of institutional development in the disaster management sector of Indonesia is satisfactorily achieving more actions than what had been planned in the policy matrix agreed, and its effect is remarkable by successfully coping with all the aspects of the country’s disaster prevention, recovery and rehabilitation. However, there are various requirements which need continued efforts to attain further achievement; such as, expansion of kabupaten-level regional disaster management planning, rolling out of Sekolah Aman (safe school), scale and area equipped with anti-disaster facilities, measures of transmitting disaster information to the population, enhancement of authority of BNPB and so forth. The continued efforts are to be constantly necessary for further development in all the aspects of legal, financial, planning and implementation issues to proceed reform in the disaster management sector. It is hoped that related agencies centering round BNPB make continued efforts in close linkage with each other to make continuous efforts to deal with issues which remain still unattained.
2. One of the necessary elements of a program loan is inherently a “policy dialogue to promote continued specific reform.” The bilateral policy dialogue on the institutional reform in the disaster management area of Indonesia was initiated by the “joint communique” between the heads of both countries and followed by the ministerial-level “joint committee,” and then supposed to be passed on to this program loan. However, it was not carried out either by this program or by the “Climate Change Program Loan” which succeeded the disaster management issues. Its revival by the first “Indonesia-Japan Disaster Management Collaboration Dialogue Workshop” held in Jakarta on November 27, 2014 is significant, which ought to be further promoted to continue strengthened policy dialogue between the two countries.

4.2.2 Recommendations to JICA.

Nothing particularly.

4.3 Lesson Learned

This program loan was not implemented in accordance with L/A and the Memorandum regarding the following points.

1. Fund Management of the Local Currency (Counterpart) Fund

The use of the fund was limited to the recovery and rehabilitation of natural disasters occurred in 2007 other than the projects related in the Sidoarjo mud flood and future disaster prevention projects such as the Jakarta east and west flood control channels project. However the fund was mingled with other funds into the general budget and not individually managed with an independent bank account and/or bookkeeping, it was therefore unable to verify whether the fund has been used within the restricted usage. The rupiah counterpart fund should have been managed in an independent bank account with a separate bookkeeping to ensure and to be accountable that the assistance fund has been only used for the restricted purpose agreed.

2. Fulfilment of Indonesia's Accountability by Submitting SOE

In order to ensure the accountability with regard to the fund usage agreed, the Indonesian government was supposed to submit SOE promptly (in any event not later than one year) after completion of the disbursement, however it was not possible because the fund was not under a separate management as above. The government submitted as an "SOE" instead on April 9, 2010, two years and four months later after the disbursement, the list of disaster fund allocation to each region.

3. Implementation of Japan-Indonesia Quarterly Monitoring Meetings

The ODA taskforce was not organized and the quarterly monitoring meetings agreed for the progress monitoring of the policy actions as well as for the facilitation of on-going technical assistance projects have never been held either. The quarterly meetings should have been carried out as agreed because they were expected to perform as a platform of the continued bilateral policy dialogues between the two countries.

4. Submission of the Program Completion Report (hereinafter referred to as "PCR")

The Project Status Report (PSR) attached to the Memorandum defines that "the project completion (to be precise, it should be "program completion") as the completion of disbursement under the last Subprogram in Section 2-2 Implementation Schedule. In reality, however, there exist no subprograms and therefore identification of the program completion is impossible. Accordingly, the PCR was not submitted.

As specified clearly in the agreement on L/A and Memorandum, the form of this program loan is apparently a "Disaster Sector Program Loan" as it is entitled. However as previously discussed, it has not been implemented as has been planned and agreed in terms of financing to the disaster recovery as well as the monitoring/ promotion of the policy actions progress with the facilitation of the on-going technical assistance projects. As a matter of fact, it was implemented almost as

general budget support assistance. As pointed out in Section **3.4.1 Effectiveness of This Sector Program Loan**, the Indonesian government does not regard it as sector assistance for the disaster measures and prevention, but recognizes it as a general budget support.

If the original intention had also been so to provide a “general budget support” to partially fill the fiscal deficiency in 2007, the agreement in the form of L/A and Memorandum should have been made in such a way as to be consistent with the real intention. If, to the contrary, it had originally intended to give an inherent sector program loan to assist the disaster management, it must have been implemented abiding by the conditions on agreed official documents. It is required to formulate and implement program loans with due attention to the points above in future.

Opinion of JICA Evaluation Department on Ex-post Evaluation of “Disaster Recovery and Management Sector Program Loan”

As there is no specific internationally accepted technique for evaluating financial support, various approaches to evaluation are possible. Apart from the approach adopted by the assessor, one could also take the following view in this ex-post evaluation, so it is appended here to supplement the view of the Evaluation Department.

This project involved a type of ODA loan called a Development Policy Loan (DPL), while also having the attributes of a Sector Program Loan. More specifically, its objective was to support the Indonesian government's efforts to improve policies and institutions relating to disaster prevention and mitigation and post-disaster recovery and reconstruction, while providing financial support for recovery and reconstruction in the aftermath of a 2007 natural disaster.

In DPL, financing is provided for reforms that the government of the partner country have implemented and achieved, after confirming that these reforms accord with the general direction of policy and institutional improvements, so the reforms achieved before the provision of the funds can be regarded as the direct effect – that is to say, the effectiveness – of this project. In contrast, if future reforms discussed and agreed when the loan agreement is concluded are achieved by the Indonesian government through policy dialogue between the Japanese government / JICA and the Indonesian government (that is to say, if there is progress in policy and institutional reforms), these can be regarded as the indirect, medium- to long-term effect – that is to say, the impact – of this project framework.

From this perspective, this project is highly effective, as it was confirmed during the examination phase that reforms had been achieved, including the following: (1) the enactment by the Indonesian government of a national disaster management law and its trial implementation; (2) the drafting of detailed implementing regulations based on the national disaster management law; (3) the drafting of the organizational design of the National Disaster Management Agency; (4) the drafting of the design of the institutional arrangements for the disaster recovery fund; and (5) the preparation of a national action plan for disaster risk reduction. On the other hand, although the reforms anticipated when the loan agreement was concluded have been broadly achieved, information gathered for the ex-post evaluation suggests that there has been no policy dialogue between Japan/JICA and the Indonesian government, so the contribution made by this project's framework cannot be ascertained. Regarding the Sector Program Loan element, it was envisaged that the ODA loan provided would be used so that fees in local currency received by the government (counterpart funds) from the sale of this foreign currency (Japanese yen) to importers to finance imports could be spent on the recovery

and reconstruction required following the 2007 natural disaster. No specific examples of the use of counterpart funds from this project were identified in this ex-post evaluation, so this aspect has not been considered in the decision concerning the evaluation.