

Private Sector Investment Finance**Ex-Ante Evaluation****1. Name of the Project**

Country: Republic of Indonesia

Project : Industrial Human Resource Development Project

Loan Agreement : March 13, 2014

Borrower : PT Bank Internasional Indonesia Tbk (BII)

2. Background and Necessity of the Project

Although the Indonesian economy had a temporary decline due to the Lehman shock in 2009, economy thereafter maintain strong growth. In 2012, the GDP growth rate is 6.2% (International Monetary Fund), and about 6 to 7% of high economic growth is predicted the next few years. Long-term National Development Plan (2005-2025) formulated in 2007 states its vision and mission as to establish a country that is developed and self-reliant, just and democratic, and peaceful and united. The development plan recognizes two challenges that must be overcome: improving the infrastructure and developing human resources that can support industrial development.

On the other hand, shortage of experienced engineers has been pointed out in the country. In particular, at industrial high schools, which is the largest labor supply source to the local manufacturing industry, the level of technical training provided in the educational program is not sufficient, and in order to acquire advanced skills, studying at universities is required, however, a limited number of universities offer such education. Thus, training engineers who support industrial development has been delayed.

Given these circumstances, the Government of Indonesia is proactively promoting technical training by dispatching laborers overseas. This project aims to improve skills of Indonesian engineers who are dispatched to Japan under Japan's Technical Intern Training Program through supporting companies that provide pre-training to engineers before their dispatch to Japan. Therefore, the project will contribute to the development of industrial human resources in Indonesia.

3. Project Description**(1) Project Objective**

The objective of this project is to improve levels of technical skills of manufacturing labors and promote them to work in domestic manufacturing companies including Japanese companies by construction of new school

building as well as expansion of pre-training that provides Japanese language education and job training for those who wishes to receive training in companies in Japan under Technical Intern Training Program (hereafter referred to as “trainee”), which organized by PT Japan Indonesian Economic Center (hereafter referred to as “PT. JIAEC), in Jakarta, Indonesia. The project will contribute to strengthening manufacturing in Indonesia through human resource development and stimulating economic activities between Japan and Indonesia.

(2) Project Site/Target Area

Depok city, Republic of Indonesia

(3) Project Outline

Construct new school building in the suburb area of Jakarta for basic job training including Japanese language education, and aim to increase number of students and expand courses

(4) Schedule: construction ends in 2014

(5) Implementation Structure: financing from JICA provided to PT Bank Internasional Indonesia Tbk (BII) via bank loans, then provided to the project executor

(6) Environmental and Social Consideration/Poverty Reduction/Social Development

① Category: C

② Reason for Categorization: under the JICA Guidelines for Environmental and Social Considerations (April, 2010), potential adverse impacts on the environment caused by the project are not likely to be significant

(7) Other Important Issues: None

4. Targeted Outcomes

As quantitative effects, 1) number of trainee dispatched, 2) number of trainee employed by Japanese companies in Indonesia after completion of training program, 3) number of trainee employed by local companies after completion of training program, 4) number of companies received trainee after completion of program are monitored.

As qualitative effects, improvement of the technical level of industrial human resources, production of highly skilled engineers who play a central role in both local and Japanese manufacturing companies in Indonesia as well as liaison between Japan and Indonesia, promotion of arrangements for direct investment of Japanese companies and stimulation of economic activities between Japan

and Indonesia are expected.

5 . External Factors and Risk Control

None

6 . Lessons Learned from Past Projects

It is recommended to establish a monitoring system that enables JICA to surely understand the status quo of the project even if the borrower is not the executor of the project. In this project, a monitoring system is established to receive a regular report from the executor, and understand the the project status.

7 . Plan for Future Evaluation

- (1) Indicators to be used: 4 quantitative indicators as stated in the section 4
- (2) Timing: 2 year after completion

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