

JBIC Signs ODA Loan Agreements with Indonesia -To Support Agricultural Infrastructure and Rehabilitation of Water Resource Facilities-

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today in Jakarta ODA loan agreements totaling 41,731 million yen with the Indonesian government for two projects.
2. The ODA loan agreements are intended to support two projects: the "Decentralized Irrigation System Improvement Project in the Eastern Region of Indonesia"; and the "Water Resources Existing Facilities Rehabilitation and Capacity Improvement Project". The proceeds of the loan for the irrigation system project will finance civil engineering and consulting services necessary for constructing irrigation system canals in eight provinces in the eastern part of Indonesia. The proceeds of the loan for the water resources facilities rehabilitation and capacity improvement project will finance civil engineering, procurement of materials and equipment, and consulting services necessary for the rehabilitation of rivers along the Solo River in Java, sedimentation measures at the multipurpose dam and rehabilitation of rivers in the Brantas River basin, and repair of Ular irrigation facilities in the state of North Sumatra.
3. The decentralized irrigation system improvement project will construct and improve irrigation facilities in eight provinces in the eastern region of Indonesia in an effort to expand agricultural infrastructure in the poorer region and boost food production to help offset the structural rice shortage due to population growth and shrinking farm land. The project will also help strengthen, through consulting services, the institutional capacity of local governments and irrigation associations, both of which are responsible for the operation and maintenance of agricultural infrastructure.
4. The water resources facilities rehabilitation and capacity improvement project will carry out highly urgent and necessary rehabilitation of water resources facilities constructed by ODA in the past, thereby restoring functions while making effective use of the existing facilities. To ensure its sustainable effects, the project will also support capacity improvement of agencies responsible for the operation and maintenance of water resources facilities through consulting services.

(See Appendix for details.)

1. Loan Amount and Terms

Project Name	Loan Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
"Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia"	27,035	1.8	0.75*	30/10	40/10	General Untied	Bilateral Tied
"Water Resources Existing Facilities Rehabilitation and Capacity Improvement Project"	14,696	1.8	0.75*	30/10	40/10	General Untied	Bilateral Tied

* Interest Rate for Special Environmental Project

2. Description of the Project

(1) Decentralized Irrigation System Improvement Project in Eastern Region of Indonesia

Although Indonesia achieved self sufficiency in rice production in 1984, population growth and rising incomes have bolstered rice consumption, which, combined with decreased farm land in Java, has given rise to concern over a structural rice shortage in recent years. In addition, from the prospect of bridging regional disparities and alleviating poverty, the irrigation system in the eastern part of Indonesia is in need of improvement. This project will newly construct and rehabilitate irrigation facilities in eight provinces^[1] in the eastern region of Indonesia, and increase rice and other food production, thereby contributing to regional development and poverty reduction in Indonesia.

The proceeds of the loan will finance civil engineering and consulting services (including procurement assistance, execution surveillance, support for formation of an irrigation association, and support for strengthening project executing and maintenance capacity of the state and prefectural governments) necessary for the construction of irrigation system canals across eight provinces in the eastern region of Indonesia.

JBIC is providing this ODA loan as a follow-up to the "Small Scale Irrigation Management Project" ODA loan (amounting to 1,896 million yen, for which an agreement was signed in December 1989), the "Small Scale Irrigation Management Project(II)" (8,135 million yen, November 1994) and the "Small Scale Irrigation Management Project(III)" (16,701 million yen, January 1998).

The project is being executed by: the Directorate General of Water Resources, Ministry of Settlements and Regional Infrastructure (Address: Jl. Pattimura No. 20 Jakarta Selatan 12110, Indonesia; Phone: +62-21-7222804; Fax: +62-21-7261956).

(2) Water Resources Existing Facilities Rehabilitation and Capacity Improvement Project

Since hitting near the bottom in 1998 in the wake of the Asian currency crisis, the Indonesian economy has been steadily getting back on track. However, to restore the pre-crisis level of public services, and to forge ahead with the self-sustained economic growth, the country needs to make effective and efficient use of its existing infrastructure while taking into account its economic viability. It is also necessary to rehabilitate and improve existing facilities and to build up institutional capacity of maintenance agencies, to sustain the quality public services for a long period of time. Targeting the water sector projects financed by ODA loans in the past, the project is intended not only to carry out highly urgent and necessary rehabilitation, but to support capacity improvement of the operation and maintenance agencies as well.

The proceeds of the loan will finance civil engineering, procurement of materials and equipment and consulting services (including procurement assistance, execution surveillance, and support for strengthening maintenance capacity) necessary for the rehabilitation of rivers along the Solo River, sedimentation measures for the multipurpose dam and restoration of rivers in the Brantas basin, and rehabilitation of Ular irrigation in the state of North Sumatra.

This project will be executed in partnership with (a) the "Project for Urgent Countermeasures for Sedimentation in Wonogiri Multipurpose Dam Reservoir", a JICA's grant aid program, and (b) technological cooperation by experts, whom JICA has deployed to assist the Directorate General of Water Resources, Ministry of Settlements and Regional Infrastructure, in support of water resources development.

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[1] Eight provinces in the eastern region of Indonesia: South Sulawesi, North Sulawesi, Southeast Sulawesi, Central Sulawesi, Gorontalo, East Nusa Tenggara, West Nusa Tenggara, and Bali