

Japanese ODA Loan to Indonesia

--New Assistance to Strengthen Response to the Increasing Threats of Natural Disasters due to Global Warming--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on December 4 a Japanese ODA loan agreement totaling up to 23,182 million yen with the Government of the Republic of Indonesia for the Disaster Recovery and Management Sector Program Loan.
2. The loan aims to support Indonesia's efforts to strengthen its capacity to respond to natural disasters comprehensively and fundamentally in terms of institutions, organizations and infrastructure. It was offered in view of a series of recent earthquakes that have hit the country and an increased frequency of floods foreseen as an impact of global warming. Specifically, financial assistance will be provided for rehabilitation and reconstruction works for disaster recovery, with the government of Indonesia making a commitment to implement policy actions including the establishment of the National Disaster Management Agency and various relevant regulations to implement the disaster management law.[1] This loan is development policy lending, which differs from loans supporting specific projects in that it supports the implementation of policy programs. This is the first of its type provided in the area of disaster and its prevention.
3. Indonesia has been frequently hit by natural disasters, including earthquakes, tsunamis, floods, volcanic eruptions and landslides. According to the International Disaster Database, 129 natural disasters have occurred in Indonesia in the past decade (1998-2007), claiming 320 thousand lives, and the total damage caused by them reached US\$9.6 billion. These figures respectively accounted for 30%(number of national disasters), 88%(number of lost lives) and 54%(damage amount) of the corresponding total figures in Southeast Asia as a whole. In this year alone (up to the end of September), natural disasters have caused damage totaling US\$2.3 billion and affected 23,000 people. The fiscal burden of the central government to respond to these natural disasters is said to be more than US\$800 million. Their impacts are not only limited to the loss of physical assets such as infrastructure and houses but also extend to economic and social losses such as depression of economic activity and a rise in the population of the poor. It is therefore an imminent challenge to strengthen the infrastructure and institutional and organizational capacities for prevention, reduction and speedy recovery of disaster.
4. As mentioned in the final Synthesis Report of the 4th Assessment Report (AR4) released by the Intergovernmental Panel on Climate Change (IPCC) in November this year, there is growing awareness in the international community that climate change will inevitably have adverse impacts no matter what measures are taken in the coming years to curb GHG emissions, and that there is a need for adaptation measures (to prevent or manage the impacts of climate change). Drawing on the strength of Japan as one of the most disaster-prone countries in the world, JBIC has been active over the years in supporting adaptation measures to adverse impacts of global warming in the area of disaster prevention and reduction and agriculture, thereby accumulating abundant knowledge and expertise.[2] As host and chair in the coming G8 Summit in 2008, Japan is expected to play a more active role in efforts to cope with climate change. In addition to supporting GHG emission reduction, JBIC will provide vigorous support for adaptation to climate change by making use of Japanese ODA loans, and thereby contribute to playing a leading role in the international community.

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[1] The Indonesian government will place the disbursed loan proceeds denominated in yen in its foreign currency reserves and collect an equivalent amount in local currency. By transferring this to the national government budget, the loan will be used for helping with the rehabilitation and reconstruction efforts of the natural disasters that occurred during fiscal 2007 (January-December).

[2] For example, in the disaster prevention and management (to deal with flood and Sabo) in Indonesia, JBIC has provided a total of 237.7 billion yen for 45 projects since 1970. In the earthquake that hit Yogyakarta and Central Java in May 2006, JBIC supported emergency rehabilitation of the river structures and irrigation facilities through the on-going projects. JBIC also supported rehabilitation and reconstruction in the disaster-affected areas in Aceh through the Aceh Reconstruction Project for which a loan commitment was made in fiscal year 2006.

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)
Disaster Recovery and Management Sector Program Loan	23,182	0.7	15/5

2. Project Executing Agency

National Development Planning Agency
 Address: Jalan Taman Suropati No. 2, Jakarta 10310, Indonesia
 Tel: +62-21-3193-6207 Fax: +62-21-392-6257

3. Overview of Sector Program Loan

Disaster Recovery and Management Sector Program Loan

In the Joint Announcement of the Japanese Prime Minister and the Indonesian President on the Cooperation between the Two Countries on Disaster Reduction in February 2005, both leaders recognized capacity building for natural disaster reduction as a highly prioritized issue for Indonesia, in view of devastating losses of lives and assets in Aceh and North Sumatra caused by the earthquake off the North-Western shore of Sumatra and the consequent tsunami in the Indian Ocean. The two governments thus established the Joint Committee on Disaster Reduction for strengthening cooperation toward institutional development for natural disaster mitigation and preparedness system in Indonesia.

The Joint Committee released its report in July 2006, which proposed eight recommendations for the promotion of total disaster risk management.[1] Following this report, the Indonesian government, in its annual action plan for 2007 based on the National Medium-Term Development Plan (RPJM) (2004-09), placed priority on: organizational capacity strengthening at the national and regional levels for disaster reduction and preparedness, disaster risk mitigation and preparedness (including the planning capacity for disaster reduction and preparedness, flood management, sea shore protection, and reforestation) and institutional capacity development for disaster reduction, preparedness and warning at the community level (including development of an early warning system). As a result, the disaster management law was legislated and preparation of the national action plan for disaster risk mitigation was drawn up in the first half of 2007. This loan was provided on a basis of the commitment of Government of Indonesia to implement policy measures described below and in appreciation of these efforts.

Under this Japanese ODA loan, a policy action plan to be implemented by the Government of Indonesia was prepared, drawing on the strengths of Japan, based on its experience of policy dialogue and project assistance. This policy action plan will support policy and institutional improvements for addressing the following cross-cutting agenda in eight recommendations of the report released by the Joint Committee: (1) establishment of an agency that coordinates the response to disasters and increase coordination among related agencies; (2) building an environment for promoting administrative efforts for disaster reduction and preparedness; (3) participation of all the stakeholders in disaster reduction and preparedness; and (4) strengthening the capacity for disaster reduction and preparedness at the community level.

Specific policy actions include the preparation and issuance of the relevant regulations of the enacted law on disaster management as well as the preparation of regional disaster management plans for pilot provincial governments, which constitute concrete plans based on the already drawn-up national action plan for disaster risk reduction. The implementation of these policy actions under the framework of the Japanese ODA loan is to be promoted.

[1] The eight-point plan comprises efforts in four areas: (1) increasing quake-resistance of houses and buildings; (2) building an early-warning system for tsunami and other disasters; (3) measures against flood and landslide disasters; (4) institutional development for preventing and fighting forest fires, and four comprehensive measures supporting these efforts: (5) establishment of an agency to coordinate the response to disasters and increase coordination among related agencies; (6) building an environment for promoting administrative efforts for disaster reduction and preparedness; (7) participation of all the stakeholders in disaster reduction and preparedness; and (8) strengthening the capacity for disaster reduction and preparedness at the community level.