

Signing of Japanese ODA Loan with El Salvador: Improving the capacity to mitigate and manage disaster risk, and providing speedy assistance for financing needs in the reconstruction stage

On May 28, the Japan International Cooperation Agency (JICA) signed a loan agreement with the Government of the Republic of El Salvador to provide a Japanese ODA loan of up to five billion yen for the Stand-by Loan for Natural Disaster Recovery. This loan will ensure reserve funds in advance so that a quick disbursement for post-disaster reconstruction is secured when there is a financial need. For this purpose, JICA provides very low interest stand-by loan (0.01% / year) to the Government of the Republic of El Salvador. This loan is the first stand-by loan for natural disaster recovery in Central America.

El Salvador has the third highest percentage of people exposed to the disaster risk in the world, with 88.7 percent of the land and 95.4 percent of the population at risk of multiple kinds of disasters. The country often suffers from natural disasters, including earthquakes due to the country's location on the fault line between the Cocos and Caribbean Plates, and frequent volcanic eruptions, and flooding and landslides as El Salvador lies on the path hurricanes and other storms take when moving from the Caribbean Sea to the Pacific Ocean. Two examples are the enormous earthquakes that occurred in 1986 and 2001, causing widespread damage, including the deaths of more than 1,000 people each. The arrival of Tropical Storm 12-E in 2011 brought the largest volume of rainfall in the country's meteorological history, resulting in a declaration of a state of national emergency being issued, and the complete destruction and/or heavy damage to 34 bridges. The human and economic losses from such natural disasters are also tremendous, and El Salvador is the 17th highest country in the world in terms of the impact of disasters on the gross domestic product.



Signing ceremony between Takeshi Takano, Director General of the JICA Latin America and the Caribbean Department, and Mr. Carlos Enrique Cáceres Chávez, the Minister of Finance

In response to these circumstances, the Government of the Republic of El Salvador is working to alleviate and manage disaster risk, and has established four policy actions based on that approach: 1) strengthening community capacity for disaster risk reduction, 2) strengthening the capacity of the Department of Climate Change Adaptation and Strategic Risk Management [1] to boost public infrastructure, 3) strengthening the capacity to analyze and address natural disasters (particularly earthquakes and tsunamis), and 4) mainstreaming disaster risk reduction.

This loan will support the advancement of policy actions needed to improve the disaster risk management capacity in the above-mentioned areas, meet the temporary financial needs that occur when a large-scale disaster strikes to support speedy reconstruction, and strengthen the capacity to alleviate and manage disaster risk in El Salvador.

Toward strengthening the disaster risk reduction system, JICA has established a record of supporting the creation of infrastructure and the strengthening of technology and capacity with the aim of protecting against or eliminating vulnerabilities to natural disasters through a combination of grants, technical cooperation, international emergency aid and volunteer projects in areas 1) to 4) listed above. Japanese technology that includes experience from working in the disaster area of the Great East Japan Earthquake of 2011 was utilized in the Project for Improvement of Equipment for Disaster Risk Management (2012). The project provided assistance for meteorological equipment, such as seismometers and tide gauges through Japanese grant assistance. Currently, support is being provided through: 1) the Project on Capacity Development for Disaster Risk Management in Central America "BOSAI" Phase 2 for strengthening community disaster risk reduction capacity (2015–2020, technical cooperation project), 2) the Technical Cooperation Project for the Department of Adaptation for the Climate Change and Strategic Risk Management for Strengthening of Public Infrastructure in El Salvador Phase 2 for boosting the capacity of the Department of Climate Change Adaptation and Strategic Risk Management to strengthen public infrastructure (2016–2021, technical cooperation project), and 3) the Enhancement of Technology for the Observation of Earthquakes and Tsunamis for strengthening the capacity to analyze and address natural disasters (2015–2018, expert dispatch). Each of these projects will also advance implementation of policy actions supported by this project.

Going forward, JICA will actively work on development issues in El Salvador while strengthening the synergistic effects through accumulation of JICA's various types of assistance that include loan, grants and technical cooperation.

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Post Disaster Stand-by Loan by the Government of Japan	5,000	0.01	-	20	6	General, untied

2. Executing Agency

Ministry of Finance [2]

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3. Planned Implementation Schedule

(1) Completion of project: with the disbursement of the total amount of aid or the end of the stand-by period

(2) International competitive bidding will not take place for consultant hiring and construction in this project.

[1] Departamento de Gestión de Riesgos y Adaptación al Cambio Climático

[2] Ministerio de Hacienda