

March 30, 2017

Signing of Japanese ODA Loan Agreements with Indonesia: Supporting food security and the promotion of the tourism industry

On March 30, the Japan International Cooperation Agency (JICA) signed loan agreements with the Government of the Republic of Indonesia in Jakarta, the capital city, to provide Japanese ODA loans of up to 73.988 billion yen for three projects.

Led by robust domestic consumption and private investment, Indonesia's economy has maintained stable growth in recent years. Although the real GDP growth rate has decelerated somewhat since 2013 to around 4 to 5 percent, attributed to decline in prices for natural resources as major exports of Indonesia, a downturn in the international economic environment and other factors, strong economic growth is expected in the mid-term.

In the "National Medium-Term Development Plan (RPJMN) 2015–2019" developed by the Joko Widodo administration, which was inaugurated in October 2014, there is a focus on mitigating regional economic disparities and creating a stable society. At the same time, the Government of Indonesia prioritizes addressing food security as a major challenge for national development, and aims at achieving food security and higher food self-sufficiency by increasing agricultural production in rice and other crops.

In addition, Indonesia, the largest island country in the world, has been recently confronted with coastal erosion in every region. The world-famous island of Bali, which is a tourism resource for Indonesia, is no exception and therefore coastal conservation is a pressing issue from the viewpoint of promoting the tourism sector as well as in consideration of regional economic development outside of the Jakarta metropolitan area.

A summary of the three Japanese ODA projects provided by the loan agreements is as follows:

- (1) Rentang Irrigation Modernization Project (loan amount: 48.237 billion yen)
- (2) Komerling Irrigation Project (Phase 3) (loan amount: 15.896 billion yen)
- (3) Bali Beach Conservation Project (Phase 2) (loan amount: 9.855 billion yen)

(1) Rentang Irrigation Modernization Project

(a) Objective and Summary

The project will increase the production of rice and other crops in the Cimanuk watershed in West Java Province by modernizing and rehabilitating the existing irrigation system and improving the operation and maintenance of the irrigation system, thereby contributing to higher incomes for farmers and to sustainable food security in Indonesia.

(b) Background and Necessity

The Rentang Irrigation District, which is the target region of the project, is an important rice-producing area with the second largest irrigation area in the country (approximately 80,000 hectares, of which 37,000 on the left bank of the Cimanuk River are targeted in the project) located in West Java Province. Although the district was originally built in 1916 during the Dutch period, large-scale rehabilitation has not been carried out since 1981, a large portion of the facilities is damaged due to deterioration, and about 70 percent of the irrigation area faces a severe water shortage during the dry season, making rehabilitation of the irrigation facilities a priority.

This project is expected to serve as a model for irrigation modernization in Indonesia, and therefore support is required to ensure efficient water distribution such as through a suitable water management system and participatory irrigation management in operation and maintenance.

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(d) Planned Implementation Schedule

1. Completion of project: April 2023 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including construction supervision): April 2017
3. Tender announcement of initial procurement package for international competitive bidding on project construction: Rentang Headworks and Main Canals Upgrading Works
Planned release date: February 2017 (already released)

(2) Komerling Irrigation Project (Phase 3)

(a) Objective and Summary

This project will expand the flow capacity of the existing irrigation facilities, construct a new irrigation area and modernize and improve operation and maintenance for the irrigation system in the Komerling Irrigation Scheme, which includes South Sumatra and Lampung Provinces. This will increase the production of rice, thereby contributing to higher incomes for farmers and to sustainable food security for the country.

(b) Background and Necessity

The Komerling Irrigation District, which is the target region of the project, is situated at the upper reaches of the Komerling River in the southern part of Sumatra and is an important rice-producing region with the fourth largest irrigation area in the country. Since providing assistance in formulating a master plan in 1979 through the second phase of this project, Japan has provided continuing support to strengthen the operation and maintenance system, including assistance for irrigation facility infrastructure and water user associations.

As the final stage of this project, this phase will provide a water supply to agricultural lands not yet supplied with irrigation water and strengthen the operation and maintenance system, and further make facility expansions to accommodate the increased water supply, thereby providing a stable supply of water to the entire irrigation district, approximately 73,000 hectares of agricultural land.

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(d) Planned Implementation Schedule

1. Completion of project: May 2023 – when the facilities are put into service
2. Issuing of letters of invitation for consulting services (including detailed design work): April 2017
3. Tender announcement of initial procurement package for international competitive bidding on project construction: Construction Works
Planned release date: March 2018

(3) Bali Beach Conservation Project (Phase 2)

(a) Objective and Summary

The project will conduct sand nourishment, implement structural measures, and provide support for beach maintenance and management work in the coastal regions of the eastern and southern parts of Bali through the creation of sustainable beach management and reducing the risk of coastal disasters, thereby promoting the tourism sector, regional economic development, and adaptation to climate change on Bali.

(b) Background and Necessity

Containing a total of some 99,000 kilometers of coastline, Indonesia is the largest island country in the world, and coastal erosion is apparent in every region. In particular, Bali, so famous world-wide as a tourist destination, is seeing serious beach erosion problem due to the rapid development of tourism resources, unorganized beach protection and beach improvements. With climate change, there are concerns of a rising sea level and the effects of higher waves, and coastal conservation is also a priority from the perspectives of protecting assets in the hinterland of the coastline and ensuring safety for residential communities.

Through the Bali Beach Conservation Project, JICA had used Japanese knowledge and experience to implement coastal conservation combining beach nourishment work and coastal structures as the first case in Indonesia, to restore the beaches on the southern coast of Bali, and to reinforce the seawall at Tanah Lot, a temple famous for its beautiful scenery. In this stage, the project will conserve the coastline in the eastern part of Bali which is expected to become a new sightseeing destination, and also strengthen the capacity of organizations handling coastal management and maintenance for sustainable coastal conservation.

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(d) Planned Implementation Schedule

1. Completion of project: December 2022 – when the facilities are put into service

2. Issuing of letters of invitation for consulting services (including detailed design work): May 2017

3. Tender announcement of initial procurement package for international competitive bidding on project construction: Candidasa Beach Conservation Works

Planned release date: June 2019

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
(1) Rentang Irrigation Modernization Project	48,237	JPY LIBOR + 15 bp	0.01	30	10	General untied
(2) Komering Irrigation Project (Phase 3)	15,896	JPY LIBOR + 15 bp	0.01	30	10	General untied
(3) Bali Beach Conservation Project (Phase 2)	9,855	JPY LIBOR + 15 bp	0.01	30	10	General untied
Total	73,988					