### 1. Name of the Project

**Country**: The Republic of Indonesia  
**Project**: Disaster Recovery and Management Sector Program Loan  

### 2. Necessity and Relevance of JBIC’s Assistance

Indonesia has frequently been hit by natural disasters, including earthquakes, tsunamis, floods, and volcanic eruptions. Such disasters pose underlying impediments to Indonesia's ongoing development, rendering effective preparation and response at the early stages essential. In this year alone (FY2007: January-December), natural disasters including earthquakes, floods, and volcanic eruptions have occurred in Indonesia, causing total damage of US$2.3 billion and affecting 23,000 people (up to the end of September), while the fiscal burden of the central government in responding to these natural disasters has exceeded US$800 million.

Furthermore, taking into account the recommendations of the Report of the Japan-Indonesia Joint Committee on Disaster Reduction based on the Joint Announcement of the Japanese Prime Minister and the Indonesian President on the Cooperation between the Two Countries on Disaster Reduction (June 2005), the Indonesian Government, in its annual action plan for 2007 based on the National Medium-Term Development Plan (RPJM) (2004-09), in addition to the early recovery of affected regions, placed priority on: organizational capacity strengthening at the national and regional levels for disaster response measures, disaster risk mitigation and preparedness (including the planning and institutional capacity for disaster response policy, flood management and seashore protection, and reforestation), and improvement of community preparedness and warning capacity (including development of an early-warning system for disasters). The results include the legislation of the disaster mitigation law and the establishment of the national action plan for disaster risk mitigation in the first half of FY2007.

This project aims to mitigate the Indonesian government's fiscal burden of responding to disasters in FY2007 as well as to conduct support for the following cross-cutting agenda in the recommendations of the Report of the Japan-Indonesia Joint Committee on Disaster Reduction: (1) establishment of an agency that coordinates the disaster prevention and increase in coordination among related agencies; (2) building an environment for promoting administrative efforts for disaster reduction and preparedness; (3) participation of all stakeholders in disaster reduction and preparedness; and (4) reforming government policies and institutions involved in strengthening the capacity for disaster reduction and preparedness at the community level. Support not only for the rehabilitation and reconstruction of the disaster-affected regions, but also for increasing Indonesia's disaster reduction and preparedness capacity is of great importance. In addition, the quarterly monitoring meeting conducted by the Japanese local ODA taskforce and the Government of Indonesia (for a period of one year starting in April 2008) will, in conjunction with managing the implementation status of the project's policy actions, promote technical cooperation being implemented by JICA and will be
utilized as a platform for dialogue between Japan and the Government of Indonesia on disaster response measures in Indonesia.

As support for disasters is listed, along with environmental conservation, under “peace and stability,” one of the important areas of the Government of Japan's country assistance strategy for Indonesia (November 2004), this project accords with that policy. Therefore, this project is highly necessary and relevant.

3. Project Objectives

This project’s objective is to support rehabilitation and reconstruction of damage caused by the many natural disasters that occur in Indonesia as well as to value the policy actions already achieved by the Government of Indonesia to improve its organizations and institutions related to disaster prevention and mitigation and disaster rehabilitation and reconstruction and sustain and promote them by supporting future efforts, thereby contributing to the implementation of disaster damage mitigation and effective disaster rehabilitation and reconstruction.

4. Project Description

(1) Project Outline

This project aims to support Indonesia’s efforts regarding policies and institutions for disaster response measures, and promotes the implementation of policy actions, which will be taken between 2007 and 2009, for the following four cross-cutting priority areas: (1) strengthening legal and regulatory framework for disaster management; (2) organizational strengthening for disaster management; (3) improving fund channeling and fund management for disaster; and (4) improving disaster management planning, implementation, and evaluation. This project will implement the following actions as disaster response measure policies and institutional reforms (only major actions are listed).

<table>
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<tr>
<th>Item</th>
<th>Actions Achieved</th>
<th>Future Actions</th>
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| Strengthening legal and regulatory framework for disaster management | • Enactment of the Law on Disaster Mitigation  
• Preparation of draft implementing regulations (Presidential regulations and government regulations) in accordance with the disaster mitigation law | • Establishment and promulgation of detailed rules for implementation based on the disaster mitigation law  
• Establishment and promulgation of guidelines concerning the establishment of regional disaster management agencies |
| Organizational strengthening for disaster management | • Formulation of an organizational design proposal for the National Disaster Management Agency | • Establishment of the National Disaster Management Agency and commencement of operation  
• Establishment of Regional (province-level) Disaster |
### Improving Fund Channeling and Fund Management for Disaster
- Preparation of an institutional design proposal for a disaster management fund
- Launching of the disaster management fund

### Improving Disaster Management Planning, Implementation, and Evaluation
- Creation of a national action plan for disaster risk reduction
- Creation of a national disaster management plan
- Creation of regional disaster management plans (in pilot communities)
- Implementation of disaster evacuation drills
- Establishment of disaster response regional depot
- Establishment of an early-warning system for tsunami

#### (2) Total Project Cost/Loan Amount
23,182 million yen (approx. US$200 million)

#### (3) Implementation Structure
(a) Borrower: The Republic of Indonesia
(b) Executing Agency: National Development Planning Agency
(c) Operation and Maintenance System: same as in (b)

#### (4) Environmental and Social Considerations
(a) Environmental Effects/Land Acquisition and Resident Relocation
   (i) Category: C
   (ii) Reason for Categorization: This project is classified as C because it is in a sector (structural adjustment loan) that is not anticipated to have any particular environmental effects, and because it neither possesses any special characteristics making it likely to exert an effect, nor takes place in sensitive areas as stated in the JBIC Guidelines for Confirmation of Environmental and Social Considerations (April 2002).

(b) Promotion of Poverty Reduction: Disaster damage for impoverished populations is to be mitigated by means of the implementation of disaster damage mitigation and effective disaster rehabilitation and reconstruction on the basis of the reforms of disaster response measure policies and institutions accomplished through this project.

(c) Promotion of Social Development (e.g. Gender Perspective): As for strengthening of planning and implementation of disaster response measures of this project, it is planned to involve local residents in the process of formulating disaster management plans and increase residents'
disaster prevention awareness through the process.

(5) Other Important Issues
None.

### 5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

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<tr>
<th>Indicator</th>
<th>Baseline (2007)</th>
<th>Target (2009; after project completion)</th>
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<tbody>
<tr>
<td>Development of the legal system</td>
<td>• Lacks detailed rules for implementation based on the disaster mitigation law</td>
<td>• Establishment of detailed rules for implementation of the disaster mitigation law</td>
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</tbody>
</table>
| Strengthening of organizational functions                                 | • Lacks organizations at the national and regional level capable of implementing disaster response measures comprehensively | • Establishment of the National Disaster Management Agency  
• Establishment of regional (province-level) disaster management agencies |
| Reform of budgetary institutions                                           | • Lacks an integrated institution for administration of disaster-response budgets | • Establishment and administration of a disaster-response fund                                          |
| Improving disaster management planning, implementation, and evaluation    | • Lacks a cohesive disaster management plan on the national and regional levels  
• Inadequate logistical support system for emergency disaster response  
• Inadequate early-warning system for disasters | • Formulation of a national disaster management plan  
• Formulation of regional disaster management plans (in pilot communities)  
• Implementation of disaster evacuation drills  
• Establishment of disaster response regional depot  
• Establishment of an early-warning system for tsunami  
• Establishment of a meteorological early-warning system  
• Creation of a comprehensive management plan for early-warning disaster information |

### 6. External Risk Factors

Problems which are beyond the control of individual administrative bodies may arise in the policy and institutional reforms set as the objective of this project.

### 7. Lessons Learned from Findings of Similar Projects Undertaken in the Past
It was learned that for types of loans that support policy institutions, such as development policy loans, it is crucial to conduct thorough exchanges of information among the relevant institutions from the appraisal stage through to the audit stage. In view of this, it is planned that loan supervision for this project will be conducted while maintaining close collaboration with the local ODA taskforce and the Government of Indonesia.

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<th><strong>8. Plans for Future Evaluation</strong></th>
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<tr>
<td>(1) Timing of Next Evaluation</td>
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<tr>
<td>After project completion</td>
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