

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Project

Country: The Republic of Indonesia

Project: Rural Infrastructure Development Project for Poverty Reduction (II)

Loan Agreement: February 24, 2014

Loan Amount: 10,029 million yen

Borrower: The Republic of Indonesia

2. Background and Necessity of the Project

(1) Current State and Issues of the Rural Development Sector in the Republic of Indonesia

In Indonesia, the poverty rate defined by the Indonesian government increased from 11.3% in 1996 to 17.8% in 2006 due to the Asian financial crisis of 1997 followed by commodity price escalation. This rate recovered to 11.7% in 2012, almost the same level before the Asian financial crisis thanks to its high economic growth. However, regional economic disparity is still serious, with the poverty rate in 2012 ranging from 3.7% in DKI Jakarta to around 20% in West Nusa Tenggara and East Nusa Tenggara in the eastern area. Local development still remains as an important issue for promoting poverty reduction and narrowing economic disparities.

(2) Development Policies for the Rural Development Sector in the Republic of Indonesia

The Indonesian Government's National Medium Term Development Plan (RPJM: 2010 – 2014) is intended to reduce the poverty rate to between 8 and 10% by 2014 through economic development using the characteristics of each regions. Poverty reduction has been promoted by improving development capacity of local residents based on the National Program for Community Empowerment (PNPM) introduced in 2006. PNPM is to integrate existing and new poverty reduction projects with local participatory approaches through cooperation with JICA, the World Bank, the Asian Development Bank and other organizations. In addition, the Master Plan for Acceleration and Poverty Reduction and Expansion for 2013 to 2025 is also being formulated, and poverty reduction strategies after 2015 will focus on the social protection and the livelihood enhancement of unprivileged and unprivileged groups.

The Rural Infrastructure Development Project for Poverty Reduction (II) (hereinafter referred to as "the Project") will contribute to poverty reduction by creating economic opportunities and improving access to social services as well as enhancing the administrative capacity of local governments through the development of small-scale infrastructure selected by the local participatory approach in the local areas. The Indonesian Government places high priority on

the Project as part of PNPM and project to promote the implementation of poverty reduction strategies.

(3) Japan and JICA's Policy and Operations in the Rural Development Sector

Japan's Country Assistance Policy for the Republic of Indonesia (April 2012) cites the provision of assistance to realize "Assistance for correction of inequality and establishment of a safe society" as a priority area and regional disparity correction and connectivity enhancement are positioned as an important subjects. JICA Analytical Work for the Republic of Indonesia also places the improvement of disparity mitigation and regional development as priority areas, and the Project meets these policies and analysis. In Indonesia, four projects for small-scale infrastructure development were implemented by Japanese ODA Loans of approximately 94.2 billion yen under the leadership of local governments. In terms of technical cooperation, JICA has provided aid for strengthening the development capacity of local governments. As a major project relating to the Project, the Sulawesi Capacity Development Project was implemented in between 2007-2012.

(4) Other Donors' Activity

The World Bank provides assistance of the improvement of planning capacity and other abilities of local governments by positioning assistance for regional development and capacity building of local governments as main goals in its country partnership strategy (2009 – 2012). The Asian Development Bank states in its country project implementation plan (2012 – 2014) that it provides assistance for local infrastructure development and capacity building of local governments. Both banks also implement infrastructure development projects within the framework of the PNPM.

(5) Necessity of the Project

As mentioned above, the Project is consistent with the country's issues and development policies, as well as the assistance policies of Japan and JICA. Therefore it is highly necessary and relevant for JICA to provide assistance through the Project.

3. Project Description

(1) Project Objective(s)

The Project, covering the areas with high poverty rate of 237 sub-districts (kacamatan) in 34 districts (kabupatens) of 9 provinces excluding Java and Bali, will develop basic infrastructure, including (i) transport/access to infrastructure, (ii) water supply and sanitation infrastructure, (iii) small irrigation infrastructure, (iv) market support facilities, (v) primary healthcare facilities, (vi) primary and junior high school buildings, which are to be based on the needs of residents. In addition, it will strengthen the capacity of administrators and facilitators in the implementation of local participatory development. Based on the above-mentioned activities, the Project intends to create economic opportunities of the unprivileged groups residing in the target areas and to enhance their access to social services, as well as to develop administrative

capacity of the local governments. An upper goal of the Project is to contribute to reducing poverty and narrowing disparities based on the self-reliant local economic development.

(2) Project Site/Target Area

237 kacamatan in 34 kabupaten of 9 provinces (to be selected in coordination with the target areas of other donors' PNPM projects)

(3) Project Component(s)

- 1) Civil engineering works, etc. (infrastructure of transportation, water supply and sanitation, small irrigation, markets, primary healthcare and education) (direct contracts with residents)
- 2) Consulting services (support for policy development/evaluation, surveys, implementation and supervision, designing, construction supervision, support for maintenance/management, monitoring/evaluation, enhancement of development capacity with local participatory approaches, etc.) (Short List)

(4) Estimated Project Cost (Loan Amount)

13,936 million yen (Loan Amount: 10,029 million yen)

(5) Schedule

February 2014 - October 2016 (33 months)

Project completion is defined as the day of service commencement (December 2015).

(6) Project Implementation Structure

- 1) Borrower: The Republic of Indonesia
- 2) Executing Agency: Directorate for Regional Development, National Development Planning Agency (coordinating agency) and Directorate General of Human Settlements, Ministry of Public Works (executing agency)
- 3) Operation and Maintenance System: Local communities who undertook construction will conduct the operation and maintenance in accordance with the guidelines formulated by the executing agency. School and district health bureaus will be responsible for the operation, maintenance and management systems of individual educational and health facilities.

(7) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and social considerations

- ① Category FI
- ② Reason for categorization: Sub-projects cannot be specified prior to the approval of project financing by JICA based on the JICA Guidelines for

Environmental and Social Considerations (issued in April 2010); and those of this nature are also assumed to have an impact on the environment.

③ Other/monitoring: The Project's executing agency is expected to categorize sub-projects in accordance with the "Guidelines of Environmental Aspects for RISE" and the "JICA Guidelines for Environmental and Social Considerations", and to take measures necessary for applicable categories. Category A projects will not be included among sub-projects.

2) Promotion of Poverty Reduction: In addition to direct effects such as the employment creation for local residents at the construction stage and increasing economic opportunities through infrastructure development, poverty reduction by the improvement of the access to social services is also expected.

3) Promotion of Social Development (e.g., Gender perspective, Measures for Infectious Diseases Including AIDS, Participatory Development, Consideration for the with Disability, etc): It is planned to promote the participation of women by setting a target rate for the participation of women's groups at development planning meetings in the village and sub-district level. In addition, the selection of the Infrastructure facilities to be constructed in each sub-district will be conducted by a local participatory development approach with the assistance of the facilitators.

(8) Collaboration with Other Donors or Schemes: The Project's implementation approach and target areas have been determined through coordination with other donors implementing other PNPM projects. During the construction stage, it is planned to conduct joint monitoring with other projects, and the implementation policy of the entire PNPM program will be examined based on the results of evaluation for individual projects.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicators): This project consists of a number of small-scale sub-projects selected by residents of the target areas, and it is difficult to set individual targets. In this case, therefore, indication of an increase or decrease was adopted as the standard of judgment as outlined in the table below.

2) Internal Rate of Return

A calculation will not be done since it is not possible to select sub-projects prior to execution of the project. However, ex-ante studies and ex-post studies of some transportation and irrigation facilities will be undertaken on a number of sample villages, and trial calculation of the economic internal rate of return (EIRR) for the respective sub-projects will be undertaken at the time of project completion.

(2) Qualitative Effects

The Project will contribute to the improvement of autonomy and independence in local communities to allow decision-making and project implementation based on the needs of local residents themselves, as well as to the strengthening the administrative capacity of local governments.

5. External Factors and Risk Control

Delay due to a natural disasters, etc. during execution.

6. Lessons Learned from Past Projects

- (1) Results of Evaluation for Similar Projects: In the ex-post evaluation of the "Rural Infrastructure Development Project (III)", it was learned that it is important to establish and operate a systematic project management structure involving parties ranging from the central government to local communities in order to manage small-scale and wide-spread project. It also mentioned the importance of strengthening of local development capacity for administrative officials and facilitators.
- (2) Lessons for the Project: The Project is to clarify the scope of responsibility of relevant organizations and coordinate the command system from the central government to local communities. It is also planned to introduce the content of the training for strengthening development capacity targetting administrative officials and facilitators which was developed under the Sulawesi Capacity Development Project, JICA's technical cooperation project.

7. Plan for Future Evaluation		
Target infrastructure / capacity development	Indicator	Target (2017) (2 years after project completion)
1) Transport facilities	Length of the road constructed/rehabilitated (km)	Increase
	Length of the bridge constructed/rehabilitated (m)	Increase
	Village with road that can be passed by 4 wheel vehicles year around (%)	Increase
2) Water supply and sanitation facilities	Number of villages where the majority of population buys drinking water (%)	Decrease
	Villages toilet nor available(%)	Decrease
	Number of villages with epidemic occurrences (accumulative)	Decrease
3) Production facilities	Irrigated Wet Rice Field (x 1,000 ha)	Increase
	Other Agricultural Field (x 1,000 ha)	Increase
4) Market facilities	Number of market facilities (Unit)	Increase
	Distance to nearest market place (km)	Decrease
5) Healthcare facilities	Number of health facilities	Increase
	Number of villages to reach health facilities (unit)	Increase
6) Education facilities	Number of primary education facilities (unit)	Increase
	Enrollment Rate of primary education	Increase
7) Local participatory developments	Number of participants for Formal/informal Meeting	Increase
	Rate of Women's participation (%)	25%
	Ratio of people employed as percentage of total adults (%)	Increase
	Number of O&M groups	Increase

(1) Indicators to be Used

As stated in (1) Quantitative Effects of 4. Targeted Outcomes above.

(2) Timing

Two years after project completion.