

Country Assistance Policy for the Republic of Indonesia

April, 2012

1. Relevance of Assistance

Indonesia is a core country of ASEAN, with the largest population and land area in the region. It has the largest Muslim population in the world and is located in a strategically important point of sea lanes such as the Strait of Malacca. Accordingly, stability of Indonesia is indispensable to the stability and prosperity of the whole of Asia, including Japan.

Indonesia has recently enjoyed political stability and steady economic growth. As the only G20 member joined from Southeast Asia, it plays a more and more important role in international society. An attitude is also seen of actively addressing issues of the Asian region and international society, such as measures against climate change and support for democratization.

Indonesia is also a strategic partner for Japan, since it shares basic values in terms of democracy, human rights, and market economy, and has long maintained good relations with Japan at the country-wide level.

In addition, there are about 1,300 Japanese affiliated companies making inroads into Indonesia, which becomes an important base for Japanese companies. While ASEAN countries make efforts to enhance the connectivity within the region for the realization of the ASEAN Community by 2015, expectations are further raised that Indonesia plays an important role as one of the centers for a network of international production and trade. Indonesia is a close economic partner for Japan, since it provides LNG, coal, and other energy resources, and copper, nickel, and other mineral resources. Creating a better business and investment environment and achieving further economic growth is important for not only Indonesia but also the whole Asian region. At the same time, this is important for Japan because the growth of Asia is the key element of the growth of Japan. After the Japan-Indonesia Economic Partnership Agreement (JIEPA) came into effect in July 2008, Japan and Indonesia signed a memorandum of cooperation on the Metropolitan Priority Areas for Investment and Industry (MPA) in December 2010 to agree to cooperate in infrastructure development. In this way, bilateral economic ties are expected to be strengthened.

In order that Indonesia may achieve further economic growth, it is necessary to improve various regulations and systems in tandem with the enhanced economic partnership within Asia, as well as the business and investment environment through infrastructure development, and to professional human resource development.

In order that Indonesia may secure mid- and long-term stability, it is important to narrow an income and regional gap within country by means of steady economic growth and its spillover effect on rural areas, to secure employment opportunities, and to overcome vulnerabilities to natural disaster and infectious diseases.

In addition, Indonesia is required to develop its capacity to further positively address issues of the Asian region and international society.

2. Basic Policy of Assistance:

Assistance for well-balanced development and enhancement of capacity to address issues of the Asian region and international society

Japan, as a strategic partner to Indonesia, with which Japan has long cherished a friendship, will offer assistance for Indonesia's well-balanced development, enhancement of capacity to address issues of the Asian region and international society, building on further economic growth of Indonesia. Indonesia is a core country of ASEAN which proceeds now together to form a community, one of the important centers for economic activities in Asia, and also a resource-abundant country. Japan will contribute to the stability and prosperity of not only Indonesia, but also the Asian region including Japan and international society through deepening and expanding a mutually beneficial relationship and partnership with Indonesia.

3. Priority Areas

(1) Assistance for further economic growth

In order to accelerate economic growth led by the private sector, efforts will be made to improve the business and investment environment by providing assistance for infrastructure development especially in the Jakarta metropolitan area and for the improvement of various regulations and systems in alignment with enhanced economic partnership within the Asian region. At the same time, assistance is also provided for professional human resource development.

(2) Assistance for correction of inequality and establishment of a safe society

In order to correct domestic inequality, and contribute to well-balanced development and the establishment of a safe society, Japan will offer assistance for enhancement of internal connectivity such as development of major transport and distribution networks, as well as development of regional core areas. Japan will also offer assistance for Indonesia to improve systems and organizations, which are intended for rural development, and take disaster preventive measures.

(3) Assistance for the enhancement of capacity to address issues of Asian region and international society

Japan will offer assistance that contributes to the enhancement of capacity required for responding to issues of Asian region such as securing of maritime safety, measures against terrorism and infectious diseases. At the same time, Japan will offer assistance for Indonesia to address global issues such as environmental conservation and climate change, while offering assistance that will help increase the capacity as a donor country.

4. Points to be considered¹

¹ Evaluation of ODA for Indonesia in the past is shown below.
Country Assistance Evaluation of Indonesia (2003):
http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/indonesia/kn3_01_index.html
Country Assistance Evaluation of Indonesia (2007)
http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/hyouka/kunibetu/gai/indonesia/kn07_01_index.html

Since there is concern that smooth implementation of projects may be hindered by complicated procedures within the government or other reasons, it is necessary to implement projects more smoothly through continuous discussions on how to speed up the implementation.

As for the infrastructure development, efforts should be made to mobilize private funds by encouraging to strengthen a scheme of public-private partnership (PPP). At the same time, in order to utilize Japanese technology as much as possible, partnership with Japanese private sector will be duly taken into consideration..

Attention is also to be paid to the point that governance such as improvement of legal predictability and legal stability is important for promoting the improvement of the business and investment environment.

Annex: Rolling Plan

Priority Area 2 Assistance for correction of inequality and establishment of a safe society															
<p>[Background and current situation]</p> <p>Although Indonesia enjoys steady economic growth, concentration of economic activities to the islands of Java and Bali causes an economic gap between the two islands and eastern or other islands, and reduction of the gap is now an important issue. In addition, Indonesia has promoted decentralization rapidly since around 2000 in order to implement projects in line with actual local situations and improve public services. However, there is room for improvement due to some problems with capacity and systems of local governments. As for poverty rate, it is steadily decreasing in recent years; however, there are many people who remain economically vulnerable. Half of the population lives on two dollars or less a day.</p> <p>The Indonesian government decided development strategies for seven regions under the National Medium-Term Development Plan (PRJMN) 2010-2014 in order to pursue an economic development and a gap reduction based on the advantages of each region.</p> <p>"Connectivity" improvement, which is regarded as an important policy issue in Indonesia made up of many islands, means the enhancement of movement of people, goods, and information by improving infrastructure connecting regions and islands, and promotion of regional economies through the enhanced infrastructure. Indonesia made the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development 2011-2025 (MP3EI), which centers on six economic development corridors (EDC).</p>			<p>[Strategy]</p> <p>Japan supports development of key transportation networks connecting major regions, islands, and cities, as well as development of urban infrastructure of base urban areas which are hubs for distribution of goods and people, including power and resource development in rural areas in order to reduce a regional economic gap by means of promotion of regional economic development.</p> <p>In addition, Japan supports improvement and enhancement of systems and organizations that contribute to the promotion of local development and reduction of an economic gap by utilizing the outcomes of the assistance extended so far in order to develop infrastructure that enables well-balanced development.</p>												
Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 Million Yen)	Note				
				Before JFY 2011	JFY 2012	JFY 2013	JFY 2014	JFY 2015	JFY 2016						
Development Issue 2-1 Correction of imbalance and connectivity enhancement	Program for connectivity enhancement	Comprehensive Institutional Improvement	Project on Capacity Development for Trade-related Administration	TCP									Stated also in the Institutional Improvement Program relating to Business Environment		
			Distribution Mechanism Reform through Development of Wholesale Market	TCDP											
			Study for Digital Divide Resolution in the Republic of Indonesia with Japan's Information Communication Technology	MIC-TA									0.70		
		Maritime Transport and Distribution	Preparatory Survey for Domestic Marine Transportation Promotion Project	PS											
			Project for Master Plan Study on Port Development and Logistics in Greater Jakarta Metropolitan Area	TCDP									4.68		Stated also in Development Program for Transport Environment in the Metropolitan Area
			Preparatory Survey on the New Chiramaya Port Development Project	PS											Stated also in Development Program for Transport Environment in the Metropolitan Area
			The Urgent Rehabilitation Project of Tanjung Priok Port	LA									120.52		Stated also in Development Program for Transport Environment in the Metropolitan Area
			Rehabilitation and Improvement Project of Jakarta Fishing Port	LA									34.37		
			The Project for Enhancement of Vessel Traffic System in Malacca and Singapore Straits (Phase 2)	GA									14.32		Stated also in Support Program for Measures to Cope with Issues of the Asian Region and International Society
			Maritime Telecommunication System Development Project (IV)	LA									55.67		Stated also in Support Program for Measures to Cope with Issues of the Asian Region and International Society
			The Project on BAKORKAMLA (Indonesian Maritime Security Coordination Body) Structural Enhancement (Phase 2)	TCP											Stated also in Support Program for Measures to Cope with Issues of the Asian Region and International Society
			Technical Cooperation Project on Enhancing of Vessel Traffic Service System Management Capacity	TCP											Stated also in Support Program for Measures to Cope with Issues of the Asian Region and International Society
			Port Security Management Project (Phase 2)	TCP											Stated also in Support Program for Measures to Cope with Issues of the Asian Region and International Society
			Port Policy Advisor	EXP											Stated also in Development Program for Transport Environment in the Metropolitan Area
			ASEAN-Japan Logistics Partnership	MLIT-TA											
			ASEAN-Japan Logistics Project	MLIT-TA											
		ASEAN-Japan Maritime Transport Security Program	MLIT-TA												
		ASEAN-Japan Port Technology Joint Research Project	MLIT-TA												
		Indonesia-Japan Sea Port Seminar	MLIT-TA												
		Land Transport and Distribution	Road Policy Advisor	EXP											Stated also in Development Program for Transport Environment in the Metropolitan Area
			Railway Double Tracking on Java South Line (II)	LA									103.48		
			Railway Double Tracking on Java South Line (III) (Study and design)	LA									9.81		
			Railway Double Tracking on Java South Line (III)	LA									188.19		
			Project on Capacity Building for Asset Management of Road and Bridges	TCP											
			North Java Corridor Flyover Project	LA									42.87		
		The Bandung Toll Road Project	LA									136.05			

		[Background and current situation] Indonesia suffers much damage every year since natural disasters occur frequently, such as an earthquake, tsunami, eruption, flood, and landslide. In order to prevent damages from such disasters, Indonesia has to tackle capacity building of both the National Agency for Disaster Management (BNPB) and the Regional Agency for Disaster Management (BPBD) which are in charge of disaster management administration, flood management through comprehensive water resource control, and establishment of a system that makes houses earthquake-resistant.		[Strategy] Indonesia and Japan are both natural disaster-prone countries. The two countries are to make efforts to send both countries' experiences to the world by establishing a cooperative relationship based on the knowledge and experiences, including recovery from the Asian Tsunami in 2004 and lessons learned from the Great East Japan Earthquake. At the same time, assistance is to be provided by focusing on improvement of the disaster prevention function of the Jakarta metropolitan area, the center of Indonesia's politics and economy based on experiences of flooding disasters in Thailand in 2011. Regional assistance as to disaster prevention is examined by taking into account the relationship with the ASEAN Coordinating Center for Humanitarian Assistance on Disaster Management (AHA center) in Jakarta and other factors.										
Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 Million Yen)	Note			
				Before JFY 2011	JFY 2012	JFY 2013	JFY 2014	JFY 2015	JFY 2015					
Development Issue 2-2 Disaster management and emergency response Program for improvement of disaster management capacity	The program pays special attention to disaster management capabilities of high-level disaster risk regions, such as regions where disasters frequently occur, and industry-dense and densely populated regions. Based on such attention, the program offers assistance for improvement of disaster management capacity at each stage, such as prevention (preparations), emergency response, and recovery and reconstruction, centering on assistance for the development of disaster prevention infrastructure and enhancement of a comprehensive disaster prevention system.	Comprehensive Measures	Comprehensive Disaster Prevention Policy Advisor	EXP										
			Multi-disciplinary Hazard Reduction from Earthquakes and Volcanoes in Indonesia	STC									Stated also in Professional Human Resource Development Program	
			The Project for Enhancement of the Disaster Management Capacity of BNPB and BPBD	TCP										
			Study on Introduction of ICT System to Disaster Prevention in Indonesia	MIC-TA								0.70		
			Study on Establishment of Disaster Prevention System based on Japan's Information and Communications Technology and its Effectiveness in Indonesia	MIC-TA								0.70		
		Measures against Earthquake and Tsunami	Project on Building Administration and Enforcement Capacity Development for Seismic Resilience (Phase 2)	TCP										
			Integrated Disaster Mitigation Management for "Banjir Bandang"	TCP										
			Urgent Disaster Reduction Project for Mt. Merapi / Progo River Basin and Mt. Bawakaraeng	LA								164.34		
			Water Policy Adviser	EXP									Stated also in Climate Change Countermeasure Program	
			Lower Solo River Improvement Project (II)	LA								93.45		
			Flood Control Sector Loan	LA								74.90		
			Sector Loan for Upper Citarum River Basin Improvement	LA								33.11		
			Sector Loan for Flood Control on Upper Citarum River and its Branch Rivers	LA								136.05		
			Water Resources Existing Facilities Rehabilitation and Capacity Improvement Project	LA								146.96		
			Project on Capacity Development for RBOs in Practical Water Resources Management and Technology	TCP										
		Measures against Flood and Landslide	Countermeasure for Comprehensive Water Resource and Flood in Semarang	LA								163.02		
			Countermeasure for Sediment in Wonogiri Multipurpose Dam Reservoir (I)	LA								74.90		
			Promoting Project for Geotechnical Disaster Prevention Technology in hilly and Mountainous Areas in Indonesia	JPP										
			Disaster Management Measures in Metropolitan Area	Project for Capacity Development of Jakarta Comprehensive Flood Management	TCP									Stated also in Urban Foundation Development Program in the Metropolitan Area and Climate Change Countermeasure Program
				The Project for Urgent Reconstruction of East Pump Station of Pluit in Jakarta	GA								19.85	Stated also in Urban Foundation Development Program in the Metropolitan Area and Climate Change Countermeasure Program
				Emergency Broadband Wireless Access Network for Disaster Management	ML	●								Asia-Pacific Telecommunity (APT)
			Restoration and other issues	The Project for Improvement of Bridges in Nias Island	GA								15.22	
Aceh Reconstruction Project	LA									115.93				
Projects relating to Aceh Reconstruction Assistance (2 cases)	ML	●								3.7 million USD	Cooperation project with the Japan Fund for Poverty Reduction (JFPR)			
		Training (18 cases)	TR											

Priority Area 3 Assistance for the enhancement of capacity to address issues of Asian region and international society												
[Background and current situation] GHG emissions from Indonesia are said to rank fourth in the world after China, the US, and Brazil as of 2005 when including CO ₂ emissions caused by forest loss, deteriorated peat land, and other reasons. Indonesia sets 26% reduction of GHG by 2020 as a national goal and places climate change countermeasures as an important policy issue.				[Strategy] Comprehensive assistance is to be extended, which combines policy and institutional assistance, and assistance for specific mitigation and adaptation measures by using various schemes. As for climate change mitigation measures, Japan will help Indonesia take measures concerning forests, energy, transport, waste, etc. At the same time, assistance is provided based on Indonesian's policies and National Action Plan for GHG Reduction (RAN-GRK), while keeping up with the progress in the formation of a bilateral cooperative framework, such as a Bilateral Offsetting Credit Mechanism.								
Japan's Assistance Program	Program Summary	Project	Scheme	Schedule						Assistance Amount (100 Million Yen)	Note	
				Before JFY	JFY 2012	JFY 2013	JFY 2014	JFY 2015	JFY 2015			
Development Issue 3-1 Response to climate change Program for response to climate change	The program provides assistance in creating an institution intended for the reduction of GHG emissions and reducing adverse impacts of climate change. Japan will offer cooperation in curbing forest loss and deterioration, promoting highly efficient energy, energy saving, and developing alternative energy, shifting to public transport, controlling wastes properly, controlling water resources comprehensively, etc., with a focus on the improvement and development of policies and a system, and capacity building.	Policy and comprehensive issues	Climate Change Program Loan (CCPL)	LA							954.07	Total value of I-III
			Project of Capacity Development for Climate Change Strategies	TCP								
			Environmental Policy Advisor	EXP								
			The Strengthening of Environment Management Capacity of Local Governments in Indonesia	TCP								Stated also in Rural Development and Base Urban Area Development Program
			Study on Use of ICT for Climate Change Countermeasures and Environmental Conservation	ML	●							Asia-Pacific Telecommunity (APT)
		ASEAN-Japan Action Plan on Environment Improvement in the Transport Sector (AJ-APEIT)	MLIT-TA								Stated also in Development Program for Transport Environment in the Metropolitan Area	
		Study on Support for the Development of Low Carbon Society through Co-Benefit Approach	MOE-TA									
		Capacity Development of 3R and Domestic Solid Waste Management system	TCP			-----						
		Project for the Study on Waste Management Plan in Major Cities	TCDP		-----						Stated also in Rural Development and Base Urban Area Development Program	
		Capacity Building for Enhancement of the Geothermal Development	TCP								Stated also in Stable Power Supply Program to the Metropolitan Area, and Rural Development and Base Urban Area Development Program	
		Project for the Master Plan Study of Hydropower Development	TCDP								Stated also in Rural Development and Base Urban Area Development Program	
		Study for Promoting Practical Demand Side Management Program	TCDP								Stated also in Stable Power Supply Program to the Metropolitan Area	
		Project for Promotion of Clean Coal Technology (CCT)	TCDP								Stated also in Stable Power Supply Program to the Metropolitan Area	
		Lahendong Geothermal Power Plant Project	LA							58.66	Stated also in Rural Development and Base Urban Area Development Program	
		Uluvalu Geothermal Power Plant Project	LA							202.28	Stated also in Rural Development and Base Urban Area Development Program	
		Engineering Services for Kamojang Geothermal Power Plant Extension Project (Study, design and other duties (E/S))	LA							9.95	Stated also in Stable Power Supply Program to the Metropolitan Area	
		Lumut Balai Geothermal Power Plant Project	LA							269.66	Stated also in Rural Development and Base Urban Area Development Program	
		Engineering Services for Asahan No. 3 Hydroelectric Power Plant Construction Project	LA							276.42	Stated also in Rural Development and Base Urban Area Development Program	
		Peusangan Hydroelectric Power Plant Construction Project	LA							260.16	Stated also in Rural Development and Base Urban Area Development Program	
		Geothermal Development Promotion Project	LA							552.99	Stated also in Rural Development and Base Urban Area Development Program	
		Pilot Study for Carbon Sequestration and Monitoring in Gundih Area, Central Java Province, Indonesia	STC								Stated also in Professional Human Resource Development Program	
		Project for facilitating the implementation of National Forestry Strategic Plan	TCP									
		Program of Community Development of Fires Control in Peat Land Area	TCP							5.30		
		Wild Fire and Carbon Management in Peat-forest in Indonesia	STC							2.15	Stated also in Professional Human Resource Development Program	
		Project on Capacity Building for Restoration of Ecosystems in Conservation Areas	TCP							3.80		
		Project for Facilitating Development of Wood Industry in Small Diameter Logs Processing	TCP									
		Energy Conservation Project in Indonesia	ML	●						0.49 million USD	Japan-UNDP Partnership Fund	

Other	Other	Development Project for National Spatial Data Infrastructure	LA								63.73		
		National Procurement Improvement Project	TCP										
		The Project for Construction of Bridges in the Province of Nusa Tenggara Barat (phase II)	GA									4.92	
		Environmentally-Friendly Regional Development with Multiple Use of Jatropha in Indonesia (III)	JNGA									0.4	
		Realizing Minimum Living Standards for Disadvantaged Communities through Peace Building and Village-Based Economic Development	ML	●	●							2,17 million USD	World Bank and Japan Social Development Fund (JSDF)
		Project for Connection Improvement of Rural Area for Sustainable Living	ML	●								1.30 million USD	World Bank and Japan Social Development Fund (JSDF)
		Creative Communities Fund	ML	●								1.57 million USD	World Bank and Japan Social Development Fund (JSDF)
		Improving Food Security by Empowering Poor Women	ML	●								1.58 million USD	World Bank and Japan Social Development Fund (JSDF)
		Poverty Reduction and Women's Leadership: The "Prime" Project	ML	●	●							1.74 million USD	World Bank and Japan Social Development Fund (JSDF)
		Protecting and Empowering Victims of Trafficking in Indonesia	ML	●	●							2.27	UN Trust Fund for Human Security
		Dispatch of volunteers (30 cases)	JOCV										
		Dispatch of volunteers (14 cases)	SV										
		Training (72 cases)	TR										
		The Project on the Establishment of Community Network for Sustainable Development through Environmental Activities at a Model Primary School	JPP										

Legend: [PS] = Preparatory Survey, [DD] = Detailed Design, [TCP] = Technical Cooperation Project, [TCDP] = Technical Cooperation for Development Planning, [EXP] = Expert, [EQ] = Equipment, [CTR] = Country-focused Training, [TR] = Issue-based Training / Training Program for Young Leaders, [JOCV] = Japan Overseas Cooperation Volunteers, [SV] = Senior Volunteers, [TEXP] = Third-country Expert, [TTR] = Third-country Training, [STC] = Science and Technology Cooperation on Global Issues, [JPP] = JICA Partnership Program, [xx-TA] = Technical Assistance implemented by organizations other than MOFA and JICA, [GA] = Grant Aid (other than specific grant aid schemes listed below), [NPGA] = Non-Project Grant Aid, [GHGA] = Grassroots Human Security Grant Aid, [JNGA] = Grant Aid for Japanese NGO's Projects, [CGA] = Cultural Grant Aid, [GCGA] = Grassroots Cultural Grant Aid, [LA] = Loan Aid (ODA Loan), [ML] = Multilateral Cooperation, Solid Line [-----] = Schedule, Dash Line [- - - -] = Tentative Schedule, ● = Implementation year of Multilateral Assistance