I. Introduction

Indonesia, a member of G20 group, is the largest economy in Southeast Asia. Its economy has been growing steadily for the last two decades which has helped in lowering the poverty levels, accelerating infrastructure development and improving the performance of social sectors. The gains from economic growth, however, have not been distributed evenly with a large percentage of population still living very close to poverty line. Additionally, there are marked geographic disparities with the rural areas in the East of the country which are still facing higher poverty levels.

Indonesia has also been characterized as a country highly vulnerable to natural disasters. The country is geographically located in an active seismic zone resulting in frequent volcanic eruptions and earthquakes. The water-based disasters include 14 reported dam failures with varying impacts. The Government stepped up its efforts post 2004 Indian Ocean tsunami to put in place a structured disaster management system in the country. This includes harmonization and coordination of the planning and management among the national, provincial and sub-provincial institutions involved in disaster risks management.

Indonesia has abundant aggregate water availability but the total water in terms of geographic and seasonal water distribution has been highly uneven. It is common for some parts of the country to be flooded in wet season due to incessant rainfall while other islands of the archipelago face water shortages in dry season. The pronounced wet and dry periods especially impact the dry rural zones as well as the densely populated islands of Java and Bali.

Water storage in the backdrop of a unique physical and climatic condition is threatening the country's economic development, food security and disaster preparedness initiatives. Most of the river basins have low retention and are subject to high erosion contributing to lack of long term water availability, increased flood risks and catchment degradation. Rehabilitation and upgrade of existing water infrastructure including dams and ancillary structures are essential to increase water security, risk reduction and productive use of water resources.

II. Project Objectives and Expected Results

The Project Objectives are to increase the safety and functionality of existing dams in selected locations and strengthen the operation and management capacity for dam safety. Direct beneficiaries of the project include those directly dependent on the water from the dams under the project as well as those populations in downstream areas that would be at risk in the case of dam failure. Other expected results include dams which are returned to full operation with reduced risk of failure and the preparation of emergency response plans including dam break analyses for project dams.
III. Project Description

The project will build upon the Government's experience in preparation and implementation of the earlier phase of the Program, which was successfully implemented, to develop a portfolio management approach across its dam and reservoir sectors. The key focus will be in five major components namely:

(i) **Dam Operational Improvement and Safety Works and Studies**
Supports physical works in rehabilitations, instrumentations and strengthening of the dam systems such as sedimentation management, instrumentation repair and rehabilitation of upstream/downstream water systems.

(ii) **Operations and Maintenance Improvement and Capacity Building**
Provides for strategic level studies, contingency plans and procedures for large dams; preparation of operational & maintenance plans; dams and reservoirs management plans; and emergency procedures.

(iii) **Reservoir Sedimentation Mitigation**
Supports (a) corrective measures such as dredging, flushing & diversion, check dams, etc., and (b) watershed management, environmental services, etc.

(iv) **Dam Safety Institutional Improvement**
Supports the preparation and regulatory documents and procedures for dam safety; strengthening of the institutions in monitoring, data processing and inspections of dams and reservoirs managed by Ministry of Public Works; and staff training in dam monitoring and operations.

(v) **Project Management**
Project management support to the implementation units for timely and effective delivery of the Project including monitoring & evaluation, procurement, financial management, safeguard monitoring, etc.

IV. Environmental and Social Category

The Bank has decided to use the WB’s Environmental and Social Safeguard Policies (Safeguard Policies) since (i) they are consistent with the Bank’s Articles of Agreement and materially consistent with the provisions of the Bank’s Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the WB has in place to ascertain compliance with its Safeguard Policies are appropriate for the Project. Under the WB’s Safeguard Policies, the Project has been assigned Category B.

The Project will not finance any new dam construction and is focused on the rehabilitation of existing dams and their associated structures, along with improved safety measures. The physical rehabilitation of these dams and associated structures will be carried out in situ and mainly limited to improving operations.

The Environmental and Social Management Framework (ESMF) for the project has been disclosed on the WB website: [http://documents.worldbank.org/curated/en/docsearch/projects/P161514](http://documents.worldbank.org/curated/en/docsearch/projects/P161514)

V. Estimated Project Cost and Financing Source

The Project is estimated to cost US$ 300 million. The financing sources are as follows (in US$ million):

<table>
<thead>
<tr>
<th>Loans/Credits/Others</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>50.00</td>
</tr>
<tr>
<td>AIIB</td>
<td>125.00</td>
</tr>
<tr>
<td>World Bank</td>
<td>125.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300.00</strong></td>
</tr>
</tbody>
</table>
VI. Implementation

The World Bank (WB) will be the lead co-financer of the Project and will administer AIIB’s loan on behalf of AIIB including procurement, disbursements, environmental and social compliance, and project monitoring and reporting. For further Project details, please see the following WB website: http://projects.worldbank.org/P096532/dam-operational-improvement-safety?lang=en

Project Implementation Period: June 2017 – June 2023

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