Japan’s Financial Assistance for Climate Change Adaptation

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### Necessity of ODA financing to adaptation (1)

Estimated additional investment & financial flows needed for adaptation in 2030 (billions of USD)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Global</th>
<th>Non-Annex I Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fisheries (AFF)</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>Water Supply</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Human Health</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Coastal Zone</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8-130</td>
<td>2-41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49-171</strong></td>
<td><strong>28-67</strong></td>
</tr>
</tbody>
</table>

(Source: UNFCCC)
Necessity of ODA financing to adaptation (2)

- Private resources can be expected to cover a portion of the adaptation costs in sectors such as AFF and infrastructure.

- However, public resources will be needed to implement policies or regulations to encourage the investment of private resources in adaptation measures especially in developing countries.

- In developing countries, additional external public funding (e.g. ODA) is likely to be needed for adaptation measures.
Japan’s Public Finance Scheme

ODA

- bilateral assistance
- multilateral assistance
- international authority

ODA loans

- Grant Aid
  - MOFA
- Technical Assistance
  - JICA
- Grant
  - MOFA
  - JICA

New JICA

- October, 2008 -

(※) A part of grant aid will be provided by MOFA

OOF

- Export Credit
  - JBIC (IFOs)
  - NEXI

Japan Finance Corporation
What is Japanese ODA Loan?

- Government to Government (G to G) basis
- Support public projects and public-private partnership (PPP) projects
- Financing low commercially viable projects
- Mainly general untied
- Concessional terms and conditions
- Securing ownership of developing countries
- Ensuring sustainability
Strategy for Japanese ODA Loan

- Japan’s ODA Charter
  - Including Grand Aid, Technical Assistance and ODA Loan
- Mid Term Policy on ODA

Medium-Term Strategy for Japanese ODA Loans

**Priority Areas**
1. Poverty Reduction
2. A Foundation for Sustained Growth
3. Global Issues and Peace Building → *Climate Change Issue*
4. Human Resources Development
Cool Earth Partnership

- Government of Japan launched a new financial mechanism “Cool Earth Partnership”, amounting USD 10 billion from 2008 to 2012, to strengthen the assistance for climate change.

- Climate Change Japanese ODA Loan under the Partnership with preferential interest (0.2-0.6%) will be created to provide loans amounting to USD 4 billion (For low income LDCs, minimal interest rate (0.01%) will be applied).

- This loan will be mainly used for mitigation, but may be mobilized for adaptation as well.
From 2008, Japan will provide funds on the scale of US$10 billion over the next five years.

- **Assistance for adaptation & improved access to clean energy**
  - Grant aid
  - Technical Assistance
  - Assistance through international organizations

- **Assistance for mitigation**
  - Transfer Japanese technology and promote GHGs emission reductions at global level
    - (e.g.) Improvement in energy efficiency of power generation
  - "Climate Change ODA loan" (US$4 billion)
  - Contribution (Note 1)

- **Other public funds**
  - JBIC
  - NEXI
  - NEDO (Note 2) etc.

*(Note 1) Japan will also make efforts to create a new multilateral fund together with US and UK, and call on other donors to join it.*

*(Note 2) New Energy and Industrial Technology Development Organization*
What type of financing schemes could be applicable?

- Project Loan: Support Government Actions
- Development Policy Loan (DPL): Support Government Policies
- Two Step Loan: Support Actions taken by Private Sector
- Engineering Service Loan
**The Philippines: Iloilo Flood Control Project**

**Project objective:**
To enable Iloilo City to withstand the floods within the 20-year return period.

<table>
<thead>
<tr>
<th>Expected effects of the Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference (1994 Flood)</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Cost of Damage (Million Peso)</td>
</tr>
<tr>
<td>No. of affected households</td>
</tr>
</tbody>
</table>

Example of Japanese ODA Loans (1) Adaptation: -Flood Control-
Example of Japanese ODA Loan (2) Adaptation: -Coastal Management-

Indonesia: Bali Beach Conservation Project

Project objective

- To conserve four beaches in the island of Bali, where coastal erosion is becoming a growing concern due to the increasing impact of ocean waves caused by damages to coral reefs.

- It is also considered as an effective adaptation measure to rising sea levels due to climate change.
Example of Japanese ODA Loan (3) CC Development Policy Loan in Indonesia

Policy based assistance for climate change policy

**Pillar 1: Mitigation**

1.1: LULUCF (Land Use, Land Use Change and Forestry)

1.2: Energy

**Pillar 2: Adaptation**


2.2: Agriculture

2.3: Disaster management

**Pillar 3: Cross-cutting Issues**

3.1: Understanding the Impact of Climate Change

3.2: Mainstreaming Climate Change in the National Dev. Program

3.3: Improving Spatial Plans

3.4: CDM

3.5: Co-benefits

3.6: Fiscal Incentives

**Assistance to executing agencies (line ministries)**

Project  TA  Project  TA  Project  TA  Project  TA
Example of Japanese ODA Loan (3) CC Development Policy Loan in Indonesia

Financial Flow

CC Program Loan

Pillar 1: Mitigation
Pillar 2: Adaptation
Pillar 3: Cross-cutting Issues

JBIC

Ministry of Finance

Fill the fiscal deficit

Projects/TAs addressing CC

JBIC and other Japanese resources

Line ministry A

Line ministry B

Project TA

Project TA
Toward “New JICA”

New JICA’s main activities

Technical Assistance
- Technical Cooperation Projects
- Acceptance of Participants/Dispatch of Experts
- Equipment Provision
- Formulation of Development Plan
- Dispatch of Volunteers

Financial Assistance
(Grant Aid)
- Implementation of Grant Aid
- Emergency Disaster Relief

(ODA Loan)
- Project Loan
- Development Policy Loan
- Two Step Loan
- Engineering Service Loan

New JICA
New-JICA’s policies and concrete measures to address climate change

**Mitigation Measures**
- Co-benefit *
- Promotion of CDM

**Co-benefit** * Project or program which realize both developmental benefits for developing country and GHG emission reductions.

**Adaptation Measures**
- Supporting the formulation and implementation of adaptation measures based on the prediction of impacts in each country
- Strengthening the capacity for adaptation of countries and sectors where serious climate change impacts are expected
- Introducing and mainstreaming the concept of “Climate Risk”

**Assisting in implementation of Policies**
- Improvement of legal systems
- Capacity development
- Monitoring, etc...

**Financial assistance**
- Technical assistance

Utilize Japan’s private cutting-edge technologies effectively

Promote globally conducive research
Conclusion

(1) External public funding is likely to be needed for additional costs for adaptation measures in developing countries.

(2) Japanese ODA loan can bridge the financial gap through various financial schemes such as project loan, development policy loan, etc.

(3) “New JICA” will strengthen its support for adaptation through the integration of financial and technical assistances.
Thank you for your attention!

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