

## Japanese ODA Loan for Indonesia New Assistance to Combat Global Warming

1. On December 10, JICA (President: Sadako Ogata) signed a Japanese ODA loan agreement with the Republic of Indonesia to provide up to 37.444 billion yen for the Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan).
2. Indonesia is the third largest source of greenhouse gases in the world after China and the US when the carbon dioxide released from deforestation and peatland destruction are taken into account. Even if the emissions from forests are not included, Indonesia is still the top emitter among ASEAN nations and 11th in the world overall. Furthermore, economic growth is driving the demand for energy while the consumption of coal is on the rise due to the soaring price of oil, leading the energy and industry sectors to produce more emissions. Curbing the decline of forest area, developing renewable energy and promoting energy saving practices are therefore pressing matters that need to be implemented to constrain greenhouse gas emissions in the future.
3. Another issue facing Indonesia is the marked changes in annual rainfall patterns that appear to be a result of global warming. The risks of climate change are predicted to rise, particularly in regions south of the equator, bringing such adverse effects as lower rainfall, a longer dry season and an increase in the number of torrential rainstorms. More frequent occurrence of such phenomena at more extreme levels will bring future socioeconomic losses in such forms as stagnating economic activity and a higher level of poverty. There are therefore concerns that climate change factors threaten sustained development in Indonesia.
4. Governments of Japan and Indonesia have held series of policy dialogues on climate change issues and set policy actions together. This Japanese ODA loan is a policy and institutional assistance, provided after evaluating the achievements of the actions. Specific policy action items include:
  - 1) mitigation of greenhouse gas emissions – promoting forest conservation, a greater diversity in the forms of energy used and higher energy efficiency;
  - 2) adaptation to climate change – organizational and institutional reform toward integrated watershed management, improved water supply and sanitation access, strengthened irrigation management and agricultural guidance systems, and the formulation of a national disaster management plan as well as a national plan of actions for coral reef protection; and
  - 3) cross-cutting issues – forming a coordination framework for implementing climate change measures, mainstreaming climate change in the national development plan, promoting the formation of Clean Development Mechanism projects and strengthening early warning systems. This loan is also the first specific case of Hatoyama Initiative, announced in September by Japanese Prime Minister Hatoyama as a policy of providing assistance on climate change to developing countries.
5. Although this Japanese ODA loan was formed through policy dialogue between Governments of Japan and Indonesia, given the global nature of climate change, the Agence Française de Développement is providing co-financing as a part of international cooperation and coordination under Japanese initiative.
6. Because the global financial and economic crisis has made it difficult for many nations to expand domestic demand due to dropping in tax revenue, Government of Japan announced a policy at the London Summit in April to provide such nations with financial assistance for economic stimulus. JICA is to support Indonesia to simulate the economy by providing emergency financial assistance, which was introduced as one of the tools, together with the Climate Change Program Loan (II).



Signig ceremony

## Reference

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### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (years)	Procurement
Climate Change Program Loan (II) (including Economic Stimulus and Budget Support Loan)	28,083	0.15*	15/5*	Untied
	9,361 (economic stimulus assistance portion)	6-month yen LIBOR**	40/10* 15/3**	

\* Qualifies as the terms and conditions of "climate change Japanese ODA loan"

\*\* These are special terms for the portion of the project that falls under the guidelines for emergency fiscal support Japanese ODA loans announced by Japan at the April London Summit whose purpose is to assist Asian nations in quickly alleviating the effects of the current crisis and furthering growth and domestic demand.

### 2. Executing agency

National Development Planning Agency Address: Jalan Taman Suropati No. 2, Jakarta 10310, Indonesia  
Tel: +62 (21) 3193-6207, Fax: +62 (21) 392-6257

### 3. Planned Implementation Schedule

(i) Completion of project: December 2009, with completion of the loan procedure

(ii) Issuing of letters of invitation for consulting services for this project:  
No consultants are employed for this project.

(iii) Tender announcement for initial procurement package for international competitive bidding on project construction: No tendering is planned for construction for this project.