

Signing of Japanese ODA Loan with Indonesia

-Continued Assistance to Strengthen Efforts for Fighting Global Warming-

1. On June 23, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Republic of Indonesia for up to 27.195 billion yen for the Climate Change Program Loan (III).

2. This Japanese ODA loan provides assistance for policy and institutional reforms in the field of climate change by setting policy actions and evaluating the progress of these actions. These policy actions include: 1) major issues relating to climate change—formulating a presidential decree to implement the national action plan aiming at reducing carbon dioxide emissions by 26 percent by 2020, establishing a financing scheme for the implementation of climate change measures, and creating a national greenhouse gas inventory as the basis for measurement, reporting and verification (MRV); 2) mitigation of greenhouse gas emissions—forestry conservation and management, peatland conservation, renewable energy development, and the promotion of energy efficiency; and 3) adaptation to climate change—improving climate forecasting models and strengthening the management of integrated water resources. This is the third phase of the Climate Change Program Loan, which was the first policy loan provided in the field of climate change in the world. The first phase was provided in 2008 and the second in 2009.



Signing ceremony

3. Indonesia is the fourth largest source of greenhouse gas after China, the US and Brazil, when carbon dioxide emissions from deforestation and peat land destruction are taken into account (according to the World Resource Institute). Furthermore, economic growth is driving the demand for energy and fossil fuel consumption is shifting from oil to coal due to the soaring price of oil, leading the energy and industry sector to cause more emissions. Accordingly, curbing the decrease of forest land area, developing renewable energy and promoting energy conservation are urgent tasks to reduce the emission of greenhouse gases in the future.

4. Another issue Indonesia faces is the marked change in annual rainfall patterns that appear to be a result of global warming. The risk of climate change is predicted to rise particularly in regions south of the equator, in such forms as longer dry season, lower rainfall and an increase in severe rainstorms. More frequent occurrence of such phenomena at more extreme levels will bring future socioeconomic losses such as the stagnation of economic activity and a higher level of poverty. Therefore, there are concerns that climate change may become a major factor that hampers sustainable development in Indonesia.

5. This Japanese ODA loan was formed through policy dialogue between the Governments of Japan and Indonesia. Considering the global nature of the issue, the French Development Agency (Agence Française de Développement) has provided co-financing since the first phase, and the World Bank has joined the policy dialogue and co-financing in this phase.

6. JICA will actively provide support for Indonesia's efforts in curbing greenhouse gas emissions and adapting to climate change by policy and institutional reforms through Japanese ODA loans as well as capacity building through technical cooperation, leading to strong leadership of Japan in the international community.

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)	Repayment Period (years)	Deferment period (years)	Procurement
Climate Change Program Loan (III)	27,195	0.15*	15	5*	Untied

* The terms of "climate change Japanese ODA loan" is applied.

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

Planned Implementation Schedule

- (i) Completion of project: June 2010 – with completion of the loan procedure
- (ii) Issuing of letters of invitation for consulting services:
No consultant is hired for this project
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction:
No tendering is planned for this project.