

Submission by Japan

On information on ‘best practices, challenges and lessons learned from existing financial instruments at all levels that address the risk of loss and damage associated with the adverse effects of climate change

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Japan would like to submit following examples on best practices, challenges and lessons learned from existing financial instruments and tools at various levels that address the risk of loss and damage associated with the adverse effects of climate change.

Examples of catastrophe credit facility in country level:

‘Stand-by Emergency Credit for Urgent Recovery (SECURE)’

The Government of Japan established a new ODA loan called ‘Stand-by Emergency Credit for Urgent Recovery (SECURE)’ in 2013. SECURE can quickly provide financing for recovery immediately after the occurrence of disasters, based on the prior agreement with Japan International Cooperation Agency (JICA). Before the agreement is signed, the recipient country needs to establish a programme (or policy actions) on disaster risk management, for which the loan will be provided. The progress of the programme (or policy actions) is monitored during the loan disbursement period, and JICA’s technical cooperation could be provided, if appropriate, to facilitate it.

Japan provided SECURE to the Republic of the Philippines in 2013, the Republic of Peru in 2014 and the Republic of El Salvador in 2015. The proceeds of the loan to the Philippines were used for the recovery and reconstruction in the aftermath of Typhoon Yolanda, which hit the country in November 2013¹. SECURE aims to strengthen the recipient country’s capacity on disaster risk reduction and management by assisting the country in its implementation of programme (or policy actions), responding to temporary financial needs when disasters occur, and supporting immediate recovery processes.

Examples of catastrophe risk insurance in regional level:

‘Pacific Catastrophe Risk Insurance Pilot’

In January 2013, Ministry of Finance of Japan, together with the World Bank and the Secretariat of the Pacific Community (SPC), launched the Pacific Catastrophe Risk

¹ Relevant information including SECURE in the Philippines is as following link:
https://www.env.go.jp/en/earth/cc/casestudy/casestudy2_4.pdf

Insurance Pilot in Pacific island countries, which was proposed by the Japanese government as a part of support for Pacific island countries on the occasion of the Fifth Pacific Islands Leaders Meeting (PALM 5) held in 2009. This program aims to respond immediately, after large-scale natural disasters occur, to urgent financial needs which will be required until the countries' financial measures are taken and assistance from foreign countries arrives.

Under this pilot program USD 1.27 million was paid out to Tonga towards recovery from Cyclone Ian in 2014 and USD 1.9 million to Vanuatu towards recovery from Cyclone Pam in 2015.

At the Seventh Pacific Islands Leaders Meeting (PALM 7) in May 2015, the Japanese Government announced its intention to continue to provide the financial support for the expansion of the pilot program².

**Examples of financing methods to provide restoration funds in country/
private-sector level: 'BCM rating (Enterprise resilience rated loan program)'**

Development Bank of Japan Inc. (DBJ) (owned by the Government of Japan) has offered financing methods to provide restoration funds needed in time of disaster, which is called 'BCM rating (Enterprise Disaster Resilience Rated Loan Program)'. This program is employed in evaluations to identify enterprises engaged in high-level initiatives and anti-disaster and Business Continuity Measures (BCM) and provide them with preferential interest rate financing as a reward for their excellent disaster preparedness. In this matter, DBJ introduced the world's first BCM-based financing method³.

As of December 31, 2014, 165 loans had been executed under the program, for a total value of 150 billion yen in Japan. Currently, DBJ is to work with JICA as an adviser for a project to improve the disaster resilience of the power grid in the Philippines. The project is a study that will involve collecting and verifying information to be used in discussions on a potential incentive system⁴.

² The latest review report of the pilot program is provided on following link:
[https://www.gfdrr.org/sites/default/files/publication/Pacific_Catastrophe_Risk_Insurance-Pilot_Report_140715\(1\).pdf](https://www.gfdrr.org/sites/default/files/publication/Pacific_Catastrophe_Risk_Insurance-Pilot_Report_140715(1).pdf)

³ Reference: http://www.dbj.jp/en/pdf/CSR_disclo/2015/businesses.pdf

⁴ Reference: http://www.dbj.jp/en/topics/dbj_news/2014/html/0000019593.html

Examples of Weather Index Insurance/ Crop Insurance in local level in collaboration with private sectors

JICA supported the introduction of Weather Index Insurance from 2012 to 2015, in Ethiopia, as a pilot project in “Rural Resilience Enhancement Project (RREP)” to enhance the resilience of rural farmers against several agricultural and weather risks such as drought. The insurance payout is made to the insured farmers, when the amount of rainfall falls below a “trigger” (rainfall amount which payout begins).

During the pilot project, around 9,800 farmers in eight districts registered for Weather Index Insurance, and it was accomplished in collaboration with several partners such as Oromia Insurance Company (local private insurance company), development agents, cooperatives and unions. Through this pilot project, behavior changes of farmers toward more active investments in the production such as increase in application of fertilizer and other agricultural inputs, improved seeds, and/or time spent on weeding (or money spent on hiring labor for weeding) etc., were observed, and it was found that this insurance can be an effective measure to cope with the significant risks face by the agriculture being practiced under unreliable rainfall, especially in drought prone areas, and thereby enhancing the rural resilience against droughts.

JICA also provided technical assistance to the implementation of rice crop insurance pilot project in East Java⁵, as a part of the Project of Capacity Development for Climate Change Strategies in Indonesia. The state-owned insurance company, JASINDO, provided farmers with rice crop insurance subsidized by the Indonesian government. Along with the insurance pilot project, capacity development support was provided to farmers with regard to the better use of climate-related information and local-level adaptation actions.

Private sector is actively engaging in this area as well. Several Japanese insurance companies successfully introduced Weather Index Insurance for the purpose of coping with drought damages caused to rice farmers in some Southeast Asian countries.

⁵ More information is found on the following link:
https://www.env.go.jp/en/earth/cc/casestudy/casestudy2_3.pdf