

Submission of Japan related to the Fourth SCF Forum on financial instruments that address the risks of loss and damage associated with the adverse effects of climate change

On invitation of the Standing Committee of Finance (SCF) for inputs related to the Fourth SCF Forum on financial instruments that address the risk of loss and damage associated with the adverse effects of climate change¹, Japan is pleased to submit following inputs to the SCF:

Scope and purpose of the Forum

The Forum can provide an opportunity for sharing the existing information, good practices, knowledge and lessons learned from financial instruments, which have been utilized in addressing the risk of loss and damage associated with the adverse effects of climate change among the SCF members, Parties and all interested stakeholders. It would be meaningful if participants of the Forum could learn which financial instruments would address what kind of risks effectively and what circumstances would be required for successful operation through case studies.

Relevant knowledge, experiences, and cases

Japan would be interested in participating in the Forum and could share the following knowledge, experiences, and cases related to financial instruments that address the risks of loss and damage associated with the adverse effects of climate change:

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

¹ As the Executive Committee of the Warsaw International Mechanism for Loss and Damage (ExCom) calls for similar submission on best practices, challenges and lessons learned from existing financial instruments that address the risk of loss and damage associated with the adverse effects of climate change, Japan will also share the same information on relevant knowledge, experiences and cases with the Secretariat of ExCom.

recovery and reconstruction in the aftermath of Typhoon Yolanda, which hit the country in November 2013². 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.

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 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 program³.

Weather Index Insurance/ Crop Insurance

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

² Relevant information including SECURE in the Philippines is provided on following link:
https://www.env.go.jp/en/earth/cc/casestudy/casestudy2_4.pdf

³ The latest review report of the pilot program is as following link:
[https://www.gfdrr.org/sites/default/files/publication/Pacific_Catastrophe_Risk_Insurance-Pilot_Report_14_0715\(1\).pdf](https://www.gfdrr.org/sites/default/files/publication/Pacific_Catastrophe_Risk_Insurance-Pilot_Report_14_0715(1).pdf)

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 Java⁴, 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.

⁴ More information is found on the following link:
https://www.env.go.jp/en/earth/cc/casestudy/casestudy2_3.pdf