

**Submission by the Government of Japan: Views on matters related to the Working Paper
as a basis of consideration on the works of the Standing Committee on Finance**

In response to the invitation made at the 8th meeting of SCF in October 2014 to its members and interested observers to provide relevant information/case studies to inform the working paper on coherence and coordination for financing for forests, Japan is pleased to submit its views herewith taking into account the following facts:

- the Standing Committee on Finance (SCF) was established based on the decision 1/CP.16 paragraph 112 in order to assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination of climate change finance
- SCF was requested in the decision 7/CP.19 paragraph 11 to consider the issue of financing for forests, while taking into consideration different policy approaches in its work on coherence and coordination, and in the decision 9/CP.19 paragraph 20 to hold a forum focusing on issues related to the finance for forests
- it was decided in the decision 6/CP.20 paragraph 16 that the 3rd forum of SCF will be held in 2015 focusing on finance for forests

1. General views on coherence and coordination of finance for forests

- Since the first discussion in 2005 by the UNFCCC at its 11th session of the Conference of the Parties to the Convention (COP) at the request of Costa Rica and Papua New Guinea, the discussion on the technical guidance for REDD+ has progressed on a step by step basis. At COP19 in 2013, the Parties confirmed a set of decisions from 9/CP.19 to 15/CP.19, so called the Warsaw REDD+ Framework (WRF). Based on the guidance of WRF, various international finances through bilateral supports as well as multilateral instruments such as UNREDD and FCPF have been provided for the readiness preparation of REDD+ countries in a non-result based manner.
- By the concerted efforts of the REDD+ countries themselves with these readiness preparation finances, several Parties have already submitted their Forest Reference Levels (FRLs)/Forest Reference Emission Levels (FRELs). Now it is the time to move on to the implementation of REDD+ activities looking at result based finance.
- As IPCC AR5 figure 11-14 displays, global emission reduction potential by forestry sector ranges from 0.01 to 13.8 GtCO₂ eq per year depending on the carbon prices. For those less developed countries that have lesser emission reduction potential in industrial sectors, REDD+ may be effective mechanism to contribute to climate change mitigation and to benefit from the contribution simultaneously. REDD+ actions will help countries achieve national development goals including national REDD+ strategies and/or action plans which state national targets for sustainable management and conservation of forest as well as those for greener economy, poverty reduction, and climate change adaptation. Allocation of a substantial

share of climate finance to the forest sector will enhance this opportunity. It is important that enabling rules for REDD+ result based finance under the UNFCCC financial initiatives will be ready as soon as possible.

- Recalling the decision 2/CP.17 para 65¹, the decision 1/CP.18 para 29² and 41³, the financing on forests should be provided from a wide variety of sources including public and private, bilateral and multilateral, including alternative sources available through market and non-market channels. The SCF Working Paper (SCF/2014/7/5/Rev.2) draws comprehensive picture of the forest sector finance flows. It can be improved by using Voluntary REDD+ Database (VRD) of REDD+ Partnership which displays more donors' contribution of the fast-start finance for REDD+ countries at least up to 2011⁴.

- Each REDD+ country is at a different stage of the readiness preparation or advanced phases of the REDD+ mechanism as described in the decision 1/CP.16 paragraph 73. The necessary assistances are different country by country depending on national circumstances such as available resources, capacities and schedules. Coherence and coordination of supports for forest and alternative mechanism should not be interpreted as an introduction of flat-rate or uniform system to be applied for all countries, but as an efforts to create a synergy by tailor made and the best available combination of supports or investments in the priority areas and activities responding to the needs of each country in accordance with national strategies/action plans, policies, legislations and roadmaps especially of those related to land uses and forests which differ country by country. Exchanging information on and lessons learned from coordination of various supports and finances in each country including those related to result based finances at the forthcoming third SCF forum to be held this year should be useful to increase efficiency and effectiveness of the global efforts and will contribute to enhance transparency, fairness, coherence and coordination of finance for forest sector. In addition to above, such opportunities as participant committees or technical trainings provided by various funds and supports of both bilateral and multilateral as well as the voluntary meeting based on the decision 10/CP.19 paragraph 4 are also useful for this purpose.

- We think it is better to have guidelines which are referable for the REDD+ countries on how to allocate emission reduction carbon credits among various stakeholders including donors and investors which

¹ (2/CP.17 para 65)

Agrees that results-based finance provided to developing country Parties that is new, additional and predictable may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources.

² (1/CP.18 para 29)

Also decides that the work programme will address options to achieve this objective, taking into account a wide variety of sources as referred to in decision 2/CP.17, paragraph 65, including

(a) Ways and means to transfer payments for results-based actions;
(b) Ways to incentivize non-carbon benefits;
(c) Ways to improve the coordination of results-based finance;

³ (1/CP.18 para 41)

Acknowledges that Parties, individually or jointly, may develop and implement various approaches, including opportunities for using markets and non-markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries

⁴ <http://www.fao.org/forestry/vrd/>, Japan provided US\$730million for REDD+ support as fast start finance during the period from 2010 to 2012 including US\$200million Grant Aid for Forest Preservation Programme which was distributed to 22 REDD+ countries.

support all of each three phase of REDD+ stated in the decision 1/CP.16 paragraph 73 as well as up-front investments or supports to achieve result based finance. This guidelines should include the original contributors of the fund provided to REDD+ countries through multilateral financial schemes so that it will create incentives for donor countries to allocate funds for contribution to the multilateral initiatives.

2. Experience with the use of resources/the transfer of payments for results-based approaches and equivalent measures

- Result-based finance approaches have already been experienced in many forms and systems. Payment for environmental services (PES) is one of the examples. Representative examples are found in Payments for Forest Environmental Services (PFES) from hydropower, water supply and tourism in Viet Nam and in PES from tax to land owners in Costa Rica.
- Indirectly, added value on commodities in business through certificate systems such as the Forest Stewardship Council (FSC) and the International Organization for Standardization (ISO) may also be regarded as one of the forms of result based finance because if the products are not produced in accordance with certain requirements set to be certified by the standard, “additional” value in the market cannot be expected.
- One of the examples to incentivize forest conservation by commodity certification systems can be found in the Belete-Gera Regional Forest Priority Area, Oromia Region, Ethiopia, where Japan International Cooperation Agency (JICA) has assisted the Oromia Forest and Wildlife Enterprise, the government of Ethiopia by a technical cooperation project since 2003. The project set up local forest management associations called “WaBuB” which facilitates for local decision making on conservation forest areas where the members of the local communities can utilize wild coffee and other non-wood forest products while protecting the forests. The project also supported to establish a value chain of wild coffee which resulted in successfully gaining a certification from Rainforest Alliance. The result of the efforts brings about profits. With the periodical monitoring under the certification, the environmental quality will be kept. The premium prices of the commodities at the global market because of the certification labelling brought about an improvement of their livelihood and an incentive to further increase their efforts for sustainable management and conservation of the forests. This is an example of business based, general finance which was enabled by a bilateral international cooperation of support. In a future opportunity, we would like to explain further on what bilateral assistance has been made, how private sectors have contributed and how the social, environmental and economic benefits have been brought and distributed among participants in this scheme.
- Engaging in a solid coordination of various initiatives and financial instruments respecting existing legislations, strategies or action plans, policies and institutional arrangement of the country will contribute

to the successful and hence speedy progress and scaling up of the activities. One of the large scale REDD+ projects for performance based finance by a multilateral initiative (BioCarbon) Fund just started recently in Oromia region, Ethiopia in 2014. Progressive synergy is expected when the project is driven by the government of Ethiopia including the Oromia Forest and Wildlife Enterprise based on their knowledge and institutional capacities gained through the field experiences of the Ethiopia and Japan cooperation on the Berete-Gera participatory forest management.

3. Some important features for coordination and coherence of forest sector finance

Country driven coordination of supports among various measures by donors

- Japan has been providing public finance to developing countries, channeling through various bilateral and multilateral international assistance measures and instruments to finance for forest sector including REDD+. Instruments include grant aid, loan programme, on-site technical assistance project, research and development, and technical training programme among others. Following to the “Principle of Upon Request,” international assistance is considered to be planned, budgeted and provided based on the specific requests of the developing country that meets the certain criteria⁵. Means and scales to be undertaken to respond to a request vary case by case, for resources and capacities of our support are not unlimited. More effective and efficient support can be made available for the country when working together with other donors that have different strength and resources.
- For example, in Papua New Guinea (PNG), we have seen the emergence of coordinated REDD+ support from various donor bodies and programmes. The Focal Point of the country, namely the Office of Climate Change and Development of Environment and Conservation, the government of PNG plays the role of the leading national coordination agency among other departments and donor representatives on the climate change issues in general. Regarding the juncture of forest and climate change, the PNG Forest Authority has taken the initiative to allocate human and financial resources to REDD+ preparation activities as priority, based on the “Forestry and Climate Change for Action 2009-2015” after its establishment through a national consultation process. This organized structure of aided activities exerts a significant positive impact of synergy for capacity development and hence institutional arrangement in the country under the constraints of a limited availability of human resource.

Examples of the coordination of various supports in PNG at its REDD+ readiness stage include:

- (a) Grant Aid Programme for Forest Conservation by the Japanese government (JPY700 million) combined with the Technical Cooperation Project through the Japan International Cooperation Agency (JICA, 2011-2014, 2014-2019, JPY913 million) for national scale forest monitoring by

⁵ For example, ODA grant cannot be provided to the eligible countries under certain criteria.

- satellite remote sensing technology;
- (b) UN-REDD/FAO and EU assistance for Multi-Purpose National Forest Inventory and satellite-based land-use representation system;
 - (c) Secretariat of the Pacific Community (SPC) and GIZ assistance to the feasibility study at project scale REDD+ pilot project in Milne Bay province; and
 - (d) The World Bank and its delivery partner, UNDP, assistance through FCPF Readiness Fund.

Facilitation of private sector involvement in REDD+ activities

- “Japan Public-Private Platform for REDD+ (JP3-REDD+)”

The “JP3-REDD+” was launched in November 2014 to facilitate REDD+ activities by enhancing collaboration among various organizations of both public and private sectors in Japan. The activities will contribute to climate change mitigation and adaptation, to the conservation of biological diversity, and to the promotion of sustainable development and poverty reduction.

- “REDD Research and Development (R&D) Center (The REDD R&D Center)”

The REDD R&D Center which was established at Forestry and Forest Products Research Institute (FFPRI) as a comprehensive technological research hub on REDD+ in 2010. The REDD R&D Center developed a cost-effective method for forest carbon monitoring in developing countries especially for tropical forest based on IPCC 2006 guidelines and produced a technical manual named “REDD-plus Cookbook”. The Cookbook was translated into English and Spanish and is a popular text book for both public and private sectors to have a common understanding in implementation of REDD+ activities.

4. Conclusion

As IPCC AR5 indicated, the forest sector has a significant potential to reduce emissions if allocated a substantial volume of funding from various sources. We underscore the importance of coordination and coherence of financial support for forests especially at the country level. Considering the policy approach nature of REDD+, the government of each country will take a leading role in the coordination based upon the existing legislations and policies of the REDD+ countries. International cooperation should be undertaken based on the productive and cost-effective partnerships among the governments of REDD+ countries and supporting developed countries, aid agencies, private sectors, financial institutions, research institutes, non-governmental organizations and related intergovernmental organizations.

Japan is willing to share the lessons learned from the experience on the coordination of support through fast-start finance and through public and private platform and on the issues related to forest sector finance at the forthcoming SCF 3rd forum on forest.