



THE JAPANESE FAST-START FINANCE CONTRIBUTION

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EXECUTIVE SUMMARY

Developed country governments have repeatedly committed to provide new and additional finance to help developing countries transition to low-carbon and climate-resilient growth. This assessment considers Japan’s efforts to provide “fast start finance” (FSF) between January 2010 and February 2012 in the context of the pledge by developed countries to mobilize USD 30 billion from 2010 to 2012 under the United Nations Framework Convention on Climate Change (UNFCCC). It is part of a series scrutinizing how developed countries are defining, delivering, and reporting FSF.

Given the size of its economy, Japan has a major role to play in delivering FSF.

Japan’s USD 15 billion FSF commitment is one of the largest amongst developed countries, but it is important to consider the contents of this commitment. Japan has played a significant role in global efforts to finance climate change activities in developing countries, and its FSF commitments accounts for almost half of the FSF that developed countries have pledged for 2010-2012. However, it is essential to better understand the broad range of instruments and activities that the government includes in its FSF, as different governments consider different types of finance to constitute FSF, so self-reported figures are not directly comparable between countries.

Other official flows (OOF) such as export and investment insurance, non-concessional loans, and guarantees make up around 40% of Japan’s total FSF contribution so far, and there is some ambiguity around the role of leveraged private finance. OOF amounts to as much as USD 5.1 billion of the USD 13.2 billion mobilized by 29 February 2012 since

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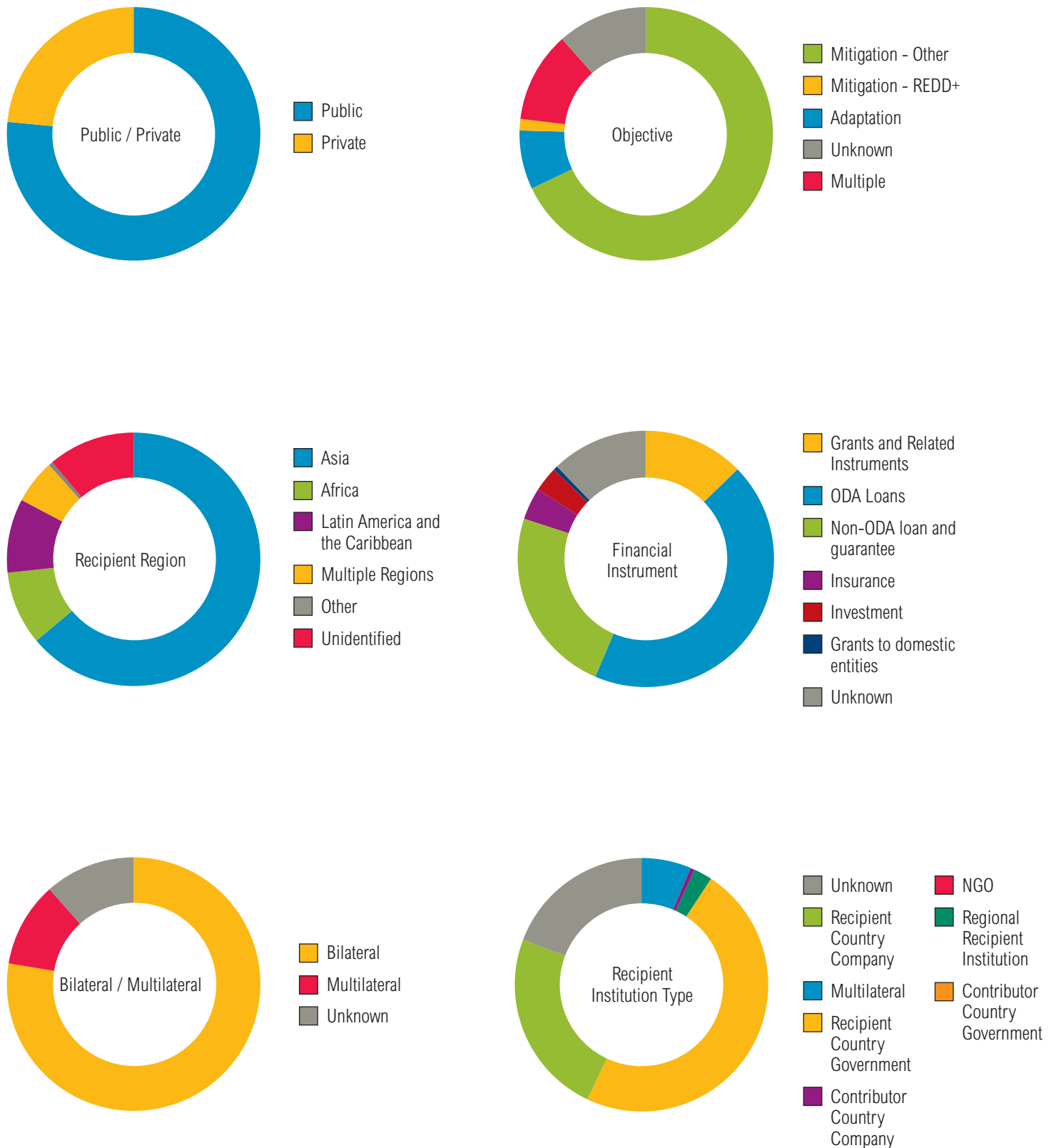
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Figure 1 | Overview of Japanese Fast-Start Finance (based on IGES' assessment)



the announcement of the Hatoyama Initiative in September 2009. This includes USD 3.1 billion of leveraged private finance. While the role of leveraged private finance in the Japanese pledge is ambiguous, as discussed in the section on Methodology, we have included it in the analysis presented in this paper.

Japanese FSF is heavily weighted toward mitigation. About 70% of Japanese FSF addresses mitigation objectives.¹ Most mitigation finance, in turn, is financed through loans (both ODA and non-ODA), which constitute about 75% of the contribution for infrastructure development projects, such as urban transport projects. There is a more even balance between adaptation and mitigation objectives within the grant portion of the FSF contribution (adaptation: 30%, mitigation and REDD+: 27%, multiple objectives: 43%). A significant share of Japanese FSF addresses one or more non-climate objectives in addition to mitigation or adaptation urban transport projects. Asia receives the most FSF among all regions, irrespective of financial instrument type. It is worth noting that the Japanese FSF includes a number of “clean” fossil fuel power plant construction projects, such as a natural gas combined cycle (NGCC) power plant project in Central Asia. There is a need for greater clarity amongst members of the international community about how support for lower carbon fossil fuel facilities should be treated in the context of climate finance.

On balance, it is not clear that the entirety of the Japanese FSF is “new and additional”. While the FSF contribution reflects some new effort to address climate change, it is unclear that the contribution as a whole can be considered “new and additional.” Since the start of the FSF period, Japan has substantially increased international finance that explicitly targets climate change. Some Japanese agencies have also begun integrating climate change into aspects of development assistance and development finance. Applying five different criteria proposed by experts and practitioners, however, the results indicate that at least a portion of the Japanese FSF spend is not new and additional. A significant share of Japanese FSF reflects pre-existing pledges to development assistance initiatives to scale up climate change related finance such as those articulated in the Japan Cool Earth Partnership of 2008. Furthermore, Japan’s FSF cannot be seen as additional to its existing commitments to scale up development finance to 0.7% of its GNI.

FSF reporting follows Japan’s standard processes for reporting on conventional development assistance, whose transparency can be strengthened to

meet new needs associated with FSF. There is room for improvement in terms of the transparency, accountability and credibility of Japanese FSF. Some of the identified issues may be attributable to the fact that Japanese FSF contains a large number of projects supported by a variety of channeling institutions. This has made it difficult for the government to present a clear overview of Japanese FSF.

The largest issue is that the information on FSF is disaggregated, although project-level information provided by the implementing agencies is detailed. Most of the climate finance projects could not be easily identified without extensive key word research on the websites of implementing agencies. This study identified about 250 likely FSF projects, amounting to USD 11.7 billion or nearly 90% of the amount committed by 29 February 2012. At the same time, about 500 FSF projects – most of which are of relatively low monetary value – could not be independently identified.

The Japanese government has already taken steps to strengthen the transparency of Japanese FSF, such as adding information about channeling institutions to the list of FSF projects included in its second submission to the UNFCCC. However, additional information would facilitate an informed discussion of the adequacy of FSF efforts. The following practices would further strengthen the transparency of Japanese climate finance reporting:

- Provide a complete list of the projects that have been supported through the Japan FSF spend. Specify the climate finance projects that constitute aggregated numbers in the official documentation;
- Include hyperlinks to the relevant webpages that describe the projects that have been supported through FSF in this proposed project list, as this would substantially enhance stakeholder access to information on the FSF contribution and understanding of its objectives;
- Compile all information on its climate finance contributions in one easily accessible format, and support access to supporting information on the individual projects that constitute the FSF spend;
- Explain the eligibility criteria for the ODA and OOF flows that have been counted towards the FSF contribution;
- Work in cooperation with other contributor countries and multilateral institutions to strengthen and harmonize bilateral and multilateral reporting on climate finance.

INTRODUCTION

Japan has been one of the five largest contributors of development assistance in absolute terms in recent decades.¹ Over the past several years, in particular, Japan has articulated a strong commitment to assisting developing countries in addressing climate change-related issues. Japan's first prominent commitment to climate finance was the Cool Earth Partnership (CEP), announced in January 2008, which pledged USD 10 billion over five years (2008 – 2012) in support of adaptation, improved access to clean energy, and mitigation (MoFA 2008a,b). Later, at the UN Summit on Climate Change in September 2009, then-PM Yukio Hatoyama announced the “Hatoyama Initiative” (MoFA 2009) to restructure and enhance the CEP.

In this context, at the 15th Conference of Parties (COP15) of the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen in December 2009, Japan joined a collective pledge together with other developed countries to provide USD 30 billion to developing countries in fast-start finance (FSF) over three years from 2010 to 2012. Japan originally pledged to provide USD 15 billion under the Hatoyama Initiative as its contribution to the FSF.

This study considers the scope and distribution of Japan's climate change finance in a global context. The Hatoyama Initiative includes both public and private finance; about USD 11 billion is public finance (of which about USD 7.2 billion pledged as ODA) and the rest is leveraged private finance (Delegation of Japan, 2009). As of 29 February 2012, USD 13.2 billion in Japanese FSF had been committed to 783 projects² in 107 countries. More than USD 10.1 billion of the contribution to date is public finance (MoFA, 2012a).³

Although provision of FSF was agreed in the Copenhagen Accord, and later affirmed in the Cancun Agreements, there are divergent views on what “counts” toward international climate finance in general, and FSF in particular, and no clear guidance has been agreed. For example, it is not clear whether export credit finance should “count”, given that this finance primarily supports companies based in developed countries, and can be seen as a “north – north” climate finance transfer. Contributor countries have also taken different approaches to delivering and reporting on their climate finance spending. This has impeded an informed discussion of the adequacy of efforts in this regard. This assessment is one in a series of Open Climate Network (OCN) studies, developed by the World

Resources Institute (WRI) and the Overseas Development Institute (ODI) in consultation with a range of experts that aims to shed light on how developed countries are defining, delivering, and reporting FSF using a common research methodology.

The objectives of the assessments are to:

- Clarify what major contributor countries have counted as FSF.
- Quantify FSF, by contributor country, in terms of the institutions through which it flows, the financial instruments it comprises, and the ends – particularly the objectives and recipients– it serves.
- Identify best practices and areas for improvement in reporting on climate finance.

The assessments do not aim to provide full third-party verification of FSF reports, evaluate on-the-ground impacts or effectiveness of FSF, or take positions on specific political issues related to FSF.

Box 1 | **Fast-Start Finance in the 2009 Copenhagen Accord**

The collective commitment by developed countries is to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010 – 2012 with balanced allocation between adaptation and mitigation. Funding for adaptation will be prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa.

Source: UNFCCC. Decision 1/CP.15 Paragraph 8.

BACKGROUND AND CONTEXT

Since 1992, developed countries have pledged to help developing countries meet their climate mitigation and adaptation needs (see Box 2), most recently committing to provide USD 30 billion in “fast-start” funds for the years 2010–2012 and USD 100 billion annually by 2020. Parties to the UNFCCC have recognized the need to provide the timely transfer of sustainable, predictable, and adequate international climate finance to developing countries to help ensure that these countries – particularly the poorest and most vulnerable – have the resources necessary to adapt and cope with the effects of climate change and to transition onto a low-carbon development pathway.⁴

The role of public climate finance

While private finance transferred independently of government action, as well as domestic finance from developing country governments, will undoubtedly play a significant role in meeting developing countries’ climate needs, climate finance mobilized by developed country governments plays a unique role, and merits special scrutiny for three main reasons.

Box 2 | What Are the Finance Needs, and Are They Being Met?

Estimates of the level of funding required to meet developing countries’ climate change needs vary widely. For adaptation, the U.N.’s 2007/2008 Human Development Report estimates that additional adaptation finance needs will amount to USD 86 billion annually by 2015. The UNFCCC puts the price tag at USD 28–67 billion per year by 2030, while a 2010 World Bank study estimates it at USD 70–100 billion per year between 2010 and 2050. For mitigation, estimates from the World Bank, the Climate Group, and the UNFCCC range from USD 100–170 billion per year by 2030; the International Energy Agency has also published estimates out to 2050.

As of 2012, self reporting on FSF contributions suggests that developed countries have collectively generated more than USD 30 billion. Some developing countries have expressed the view that only a small fraction of this funding has actually been made available (<http://faststarfinance.org>). These disparate figures demonstrate a number of issues that can impact the perceived amount of finance that is flowing, from unharmonized reporting practices, to differing definitions of climate finance, to administrative or procedural delays in disbursement.

Source: World Bank 2010a, UNFCCC 2007, UNDP 2007, Haites 2008, World Bank 2010b, Buchner et al. 2011, BNEF and UNEP 2011, WRI 2011, IEA 2010, Guardian 2012.

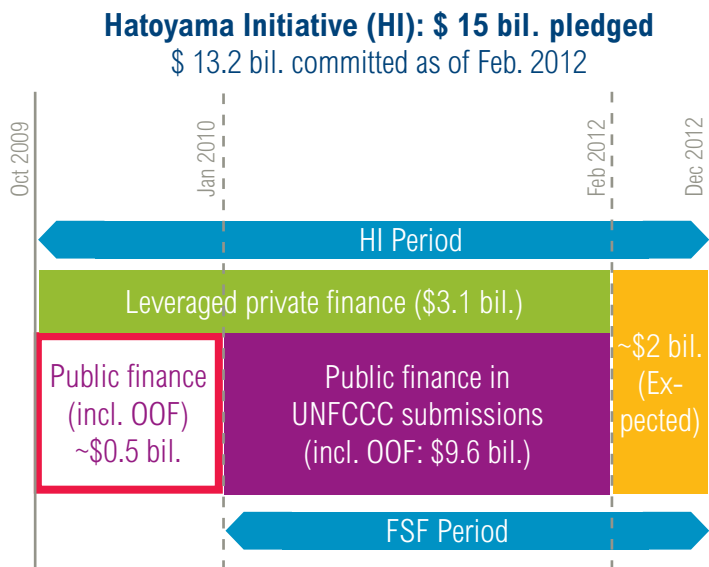
First, developed countries have pledged fast-start climate finance in the context of complex and often contentious international negotiations in which countries have not yet achieved the necessary levels of trust and ambition to formulate a successful, collective response to climate change. Delivery on these pledges therefore carries significant implications for the level of trust countries place in the UNFCCC process – and each other – to achieve fair and effective outcomes. Second, whereas private-sector finance responds primarily to existing and anticipated market conditions, public finance can in some circumstances help shape those conditions, and may be less subject to variability than private finance. It can also leverage private finance to magnify investments in climate goals. Finally, while efforts are underway to engage the private sector in adaptation,⁵ private climate finance to date has tended to support mitigation objectives. Adaptation efforts have been highly dependent on public funding.⁶ At the same time, those countries most vulnerable to severe impacts and disruptions from climate change typically also have the most limited domestic resources to address climate change, and thus have the greatest need for international support.

The politics of climate of finance

This paper reviews the scale, objectives, and modalities of climate finance with reference to many of the issues that have been debated under the UNFCCC. Developed and developing countries have different views about channelling institutions, with developing countries generally expressing a preference for their own institutions to have direct access to climate finance (Ballesteros et al. 2010). There is also a growing emphasis on the need to build capacity within countries to address climate change and manage climate finance. While bilateral agencies themselves sometimes target climate finance toward capacity-building efforts in recipient countries, other stakeholders have nonetheless held that capacity-building also requires increasing reliance on developing-country-based institutions. Developed countries, on the other hand, have tended to prefer working through their own development institutions and international organizations.

Financial instruments have also been a source of debate: many developing countries and non-governmental organizations (NGOs) hold that climate finance – especially adaptation finance – should be delivered primarily in the form of grants to avoid burdening developing countries with additional debt. However, loans, capital contributions, and guarantees are often seen as appropriate instru-

Figure 2 | Schematic of Japan's FSF in different contexts



ments by some developed countries. The issue of how to mobilize climate finance at scale from new sources – other than contributions from national budgets – has been a topic of significant interest, and was the focus of the High Level Advisory Group on Climate Finance convened after the Copenhagen Conference of the Parties (COP) by the United Nations Secretary General.⁷

The distribution of climate finance is also a topic of concern. There is general agreement that support for adaptation and mitigation should be balanced, recognising that most finance has prioritised mitigation to date and there is a need to scale up support for adaptation. However, there is a lack of agreement on how balance should be interpreted in practice given the urgency of reducing greenhouse gas (GHG) emissions; we therefore consider the current balance of thematic priorities for the Japanese FSF spend. Furthermore, the geographic distribution has been a topic of debate, with many stakeholders expressing the view that the most vulnerable countries should receive the most support. We therefore consider the regional distribution of the Japanese FSF. A related concern is the need for timely disbursement of climate finance, and the need for clarity on the status of pledged funding.

Finally, the UNFCCC states that climate finance should be “new and additional.” This refers to the fact that responding to climate change will require new effort and a substantial scale of resources, and should not divert funding from other development goals. In practice, however, there is a lack of agreement on what constitutes “new and addi-

tional.” We therefore evaluate the nature of the Japanese contribution with reference to a range of considerations.

Challenges in climate finance tracking

In this context, it is important to develop consistent and credible information that sheds light on the extent to which contributor countries have delivered on their climate finance commitments, how they have done so, and to what effect. A number of resources for tracking climate finance contribute to this effort (see Annex 1). Despite this, climate finance tracking is complicated by several factors, including lack of consensus as to what constitutes climate finance, vague and unharmonised reporting guidelines, and uneven and at times opaque application of these guidelines by reporting countries and other entities.

While the Cancun Agreements require developed countries to report on their FSF contributions, few guidelines are provided as to what information these reports should include. Nonetheless, various sources have suggested reporting practices that would facilitate an assessment of the extent to which contributor countries have adhered to the FSF stipulations in the Cancun Agreements and would support the measurement, reporting, and verification (MRV) of climate finance more generally. In addition to aggregated statistics, some observers have requested project-level information regarding supported activities and themes, recipient countries and institutions, financial instruments, and disbursement status. This would be necessary to support verification of aggregate figures; to improve coordination between contributors, recipients, and other stakeholders; and to promote accountability. Our assessment therefore also considers these factors.

METHODOLOGY

Common methodology for OCN climate finance assessments

This assessment reviewed the Japanese FSF contribution committed between 1 January 2010 and 29 February 2012. The Japanese government states that it only counts public finance committed since January 2010 in its official reporting to the UNFCCC in 2011 and 2012 (Figure 2).⁸ The leveraged private finance should therefore not be included when estimating aggregate developed country contributions to FSF against the pledges made at Copenhagen. However, the self-reported FSF total of USD 13.2 billion does seem to include USD 3 billion in leveraged private

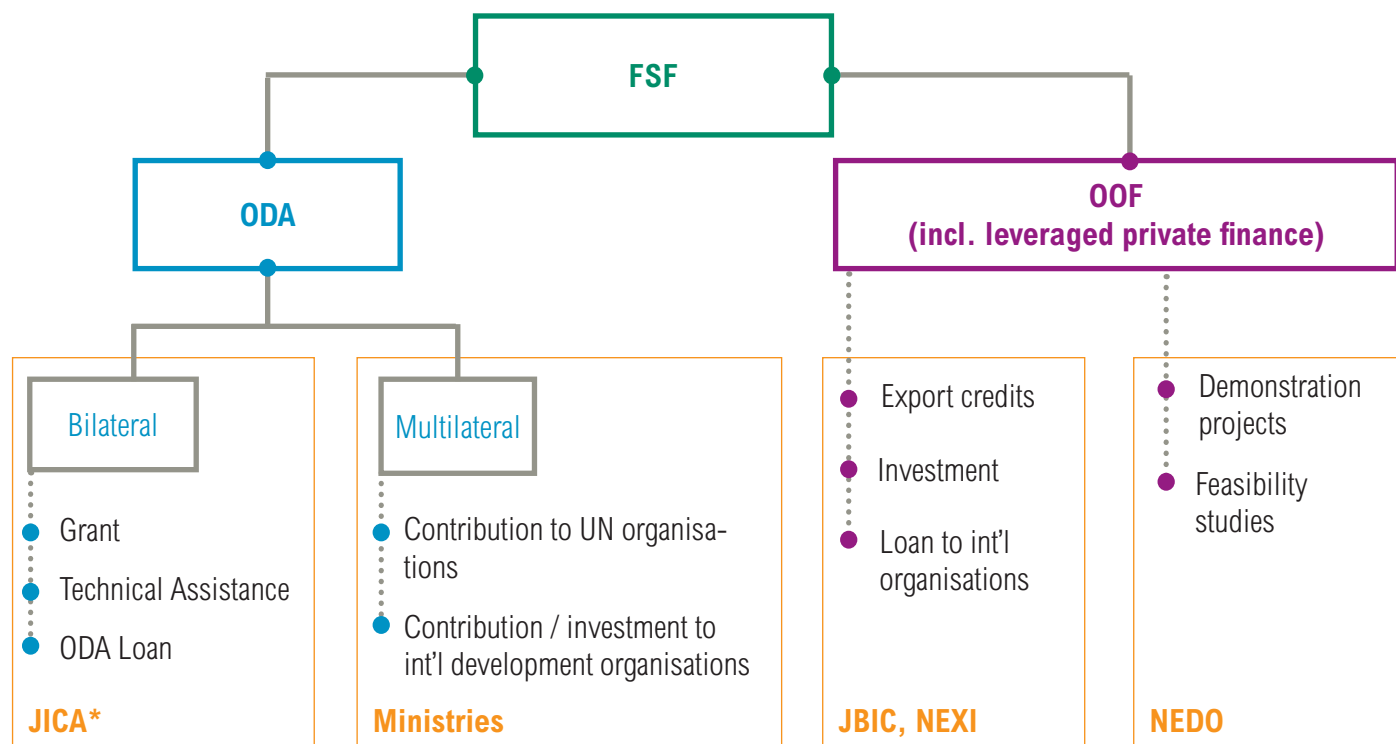
finance.⁹ In addition, the MoFA refers to the entirety of climate finance under the Hatoyama Initiative (including both public and leveraged private finance) as FSF in its factsheets. The final composition of Japan’s pledged USD 15 billion remains to be determined on the basis of forthcoming reporting. In light of the ambiguity surrounding the role of leveraged private finance in the Japanese FSF contribution, our assessment considers the full suite of finance that the Japanese government has mobilized under the Hatoyama Initiative since January 2010, including: bilateral official development assistance (ODA), contributions to multilateral funds (also ODA), other official flows (OOF) and leveraged private finance. We consider the objectives and activities supported by all of these forms of finance, the channeling institutions and financial instruments employed, the recipient countries and institutions, the centrality of climate change to the projects supported with FSF with reference to the OECD DAC Rio Markers,

and the extent to which the finance mobilized might be considered “new and additional”.¹⁰ Annex 2 explains our methodology in more detail. The research methodology applied in this study was subject to expert peer review that was coordinated through OCN and included representatives of bilateral and multilateral institutions involved in climate finance, as well as independent experts.

Information gathering

We gathered information on Japanese FSF projects from a variety of sources. The most detailed FSF documents are the two submissions to the UNFCCC published in May 2011 and May 2012.^{11,12} These two documents, however, only list a subset of projects supported by FSF (in the 2012 submission, 125 out of total 783 FSF projects committed by 29 February 2012)^{13,14}. The MoFA has also published factsheets that provide aggregate figures on Japanese FSF

Figure 3 | Overview of Japanese Fast Start Finance and implementing agencies



Legend

FSF Fast Start Finance
 ODA Official Development Assistance
 OOF Other Official Flows
 JICA Japan International Cooperation Agency

JBIC Japan Bank for International Cooperation
 NEXI Nippon Export and Investment Insurance
 NEDO New Energy Development Organisation
 UN United Nations

* Ministries also provide bilateral ODA, though the portion is small.
 Adapted from Ministry of Finance (2012) and Prime Minister’s Office (2009)

by financial instrument (ODA loan, ODA grant, contribution to multilateral funds, and OOF) and by objective (mitigation, adaptation, adaptation/mitigation and REDD+).¹⁵ The fact sheets do not, however, provide information on specific FSF projects.

We therefore gathered information in two stages: (1) identification of projects that might have been included as FSF, and (2) gathering of information about these projects. First, we conducted an extensive literature survey to identify projects that may be part of the Japanese FSF spend by searching for:

- (1) Project names and types that are described in the official FSF reports (e.g., ODA projects with names “The Project for Introduction of Clean Energy by Solar Electricity Generation System”, “Program for the improvement of capabilities to cope with natural disasters caused by climate change”, and “Forest Preservation Programme”, and all the projects of Japan Bank for International cooperation ‘and all under the Global Action for Reconciling Economic growth and Environmental preservation initiative);
- (2) Projects that are explicitly counted as FSF in other official information sources (described as part of either Copenhagen commitments or Hatoyama Initiative);¹⁶
- (3) Projects that are categorized as climate change in the Rolling Plans of Japanese ODA (MoFA 2012b);
- (4) Projects that are described as explicitly aiming to reduce GHG emissions;
- (5) Projects that contribute to mitigation such as renewable energy (keywords were “solar”, “wind”, “hydro”, “geothermal”);
- (6) Projects that possibly contribute to adaptation (keywords were “water supply”, “flood”, etc);
- (7) Projects related to forest management (including REDD+);¹⁷
- (8) OOF that does not correspond to the above criteria: e.g. schemes that are counted under the Cool Earth Partnership (limited to those committed (but after 2010) and instruments described in the Japanese FSF documentation.

In our effort to identify likely FSF projects, we also

referred to the list of bilateral ODA projects reported by Japan to the OECD’s Development Assistance Committee (DAC) and tagged as relevant to climate change objectives, to obtain supplementary information on FSF projects (JICA 2012).¹⁸

Through this process we identified a wider number of projects that the government of Japan is likely to have counted as FSF. The project list should not be understood to reflect projects that we believe should be counted as FSF. While the government has not formally verified the projects identified, experts familiar with the Japanese FSF contribution have reviewed and corroborated our approach. We also drew on research reports on the Hatoyama Initiative prepared by independent groups such as the Kiko Network (2010) to identify FSF projects. In general, we have taken a conservative approach to identifying likely FSF projects.¹⁹

After compiling a list of likely FSF projects, we gathered detailed information on each project from FSF implementing agency documents as well as from the same documentation used to identify the FSF projects. Given the aforementioned difficulties in gathering information, we prioritized research on large (high value) projects, in order to understand the objectives of the largest volume of the Japan FSF, rather than a large number of projects.

OVERVIEW OF JAPANESE FSF AND IMPLEMENTING AGENCIES

Figure 3 presents an overview of Japanese FSF and its main implementing agencies. The Japan International Cooperation Agency (JICA) is a governmental agency that provides nearly all Japanese bilateral ODA to developing countries in the form of technical assistance, loans, and grant aid. The government contributions to international organizations, multilateral funds and specific ministries within the recipient countries are often provided directly through ministries. Some grant aid projects that support diplomatic efforts are implemented directly by the Ministry of Foreign Affairs (MoFA).

The Japan Bank for International Cooperation (JBIC), an official Japanese export credit agency, is the primary channel for other official flows (OOF), which constitutes the largest share of Japanese FSF. JBIC provides various financial products such as export and import loans, overseas investment loans, untied loans, equity participation and guarantees.

Other institutions that deliver OOF include Nippon Export and Investment Insurance (NEXI), which is another official Japanese export credit agency that specializes in export and investment insurance policies. Although the contribution is small, some FSF projects are also implemented by the New Energy and Industrial Technology De-

velopment Organization (NEDO), which is a governmental agency whose role is to promote research and development of energy, environmental and industrial technologies as well as acquisition of emission reduction credits through the Kyoto Mechanisms.²⁰

Table 1 | **Japanese FSF Reporting Practices at a Glance**

| REPORTING PARAMETER | JAPANESE PRACTICE IN OFFICIAL FSF REPORTS |
|--|--|
| Aggregate Information | |
| Objectives supported | Submissions to the UNFCCC. Factsheets released by the Ministry of Foreign Affairs. |
| Channeling institution | No aggregate figures for both the amount of finance and the number of projects. Does not identify all the institutions involved in FSF, only mentions a few of the related ministries and institutions such as JICA and JBIC. |
| Financial instrument | Aggregate figures are presented by instrument and by objective Specifies bilateral ODA (including grant aid, technical assistance, yen loan), contribution to multilateral funds, and OOF. |
| Geographic distribution of countries supported | Not aggregated as a whole. Specifies the geographic distributions only among vulnerable countries. |
| Disbursement status | Not identified |
| “New and additional” criteria | Not explained |
| Selection criteria for Japanese FSF | Not described |
| Project-specific Information (based on the submissions to the UNFCCC) | |
| Number of projects listed/ amount of FSF represented | Total 125 projects listed in the two submissions (around USD 2 billion of the 13.2 billion committed as of 29 February 2012) ¹⁶ |
| Objectives | Not specified |
| Channeling institution | Identified from 2012 submission |
| Financial instrument | Specified: <ul style="list-style-type: none"> ■ Contribution to multilateral institutions ■ Loan ■ Grant ■ Technical assistance ■ OOF |
| Recipient countries & institutions | Specified countries and regions Does not specify recipient institutions |
| Disbursement status | Not identified |
| Amount | Specified |
| Project themes | Specified <ul style="list-style-type: none"> ■ Mitigation (Renewable Energy, Energy and Resource Saving, Waste Disposal, Waste Management, General, Others) ■ Adaptation (Prevention of Disaster (and Rehabilitation), Water and Sanitation, Farming and Irrigation, Health, Water Supply, Others) ■ Mitigation/REDD (Forestry) |

RESULTS AND DISCUSSION

Reporting practices

Table 1 summarizes the Japanese practice for reporting on a range of parameters in their official FSF reports. In our view, the aggregated information available is limited relative to our assessment list of reporting parameters, e.g., about the channels, instruments, recipients, and objectives of the Japan FSF review. The 2011 submission to the UNFCCC¹³ provides an overview of FSF of more than USD 6.3 billion by end-March 2011; and the 2012 submission reports more than USD 13.2 billion committed in 107 countries by the end of February 2012. These submissions describe general FSF characteristics and trends, and also list a subset of FSF projects (one for each recipient country, for a total of about 100 projects). The projects listed in both UNFCCC submissions (2011 and 2012) are mostly identical, except that the UNFCCC submissions only describe public finance committed after January 2010.

The FSF factsheets published by MoFA are more frequently updated than the UNFCCC submissions, and provide some aggregate figures by financial instrument (ODA loan, ODA grant, and OOF) and objective (mitigation, adaptation, adaptation/mitigation and REDD+)²¹. With regard to the definition of Japanese FSF, none of the official documents clarifies the criteria for projects labeled as FSF, or how these projects amount to a USD 15 billion

pledge. Accounting for some of the OOF such as export and investment insurance is not explained.

With regard to project level information, the most serious shortcoming of existing official FSF reports is that there is no complete list of projects or programs counted as FSF. As a result, substantial research was necessary to begin to understand the scope of Japanese FSF, and some uncertainty remains as to whether FSF projects have been identified correctly. There is some improvement in information disclosure observed in the 2012 submission to UNFCCC; information about channeling institution was added to the list of FSF projects. However, the scope of information that the government currently makes available does not meet the needs that recipient countries and other stakeholders have expressed for greater transparency and information to help them understand delivery against FSF commitments.

As information on FSF is scattered across different ministries and institutions, there is currently no single comprehensive source of information on FSF. However, once the projects were identified, additional research allowed us to find project level information relatively easily on the website of implementing agencies as shown in Table 2. There is some information available on projects committed by JICA and JBIC and NEXI in particular, whose information disclosure policies are considered to be relatively high.^{22,23} Information on the status of disbursement of projects has

Table 2 | **Project Type by Climate Objective**

| PARAMETERS | ODA (JICA) ²⁴ | | | OOF (JBIC) ²⁵ |
|------------------------------------|---|--|--|--|
| | LOAN | GRANT (MORE THAN JPY 200 MILLION (USD 2.43 MILLION) ²⁶) | TECHNICAL ASSISTANCE (MORE THAN JPY 200 MILLION (USD 2.43 MILLION) ²⁷) | ALL PROJECTS |
| Objectives | Always specified | Always specified | Always specified | Specified if it has press-release |
| Recipient countries & institutions | Always specified | Always specified | Always specified | Specified if it has press-release |
| Disbursement status | Can identify (1) whether JICA makes Loan Agreement and (2) at the timing of evaluation, which means disbursement ended before that. | Can identify (1) whether JICA makes the Grant Agreement and (2) at the timing of evaluation, which means the project is finalized. | Can identify whether JICA (1) made Record of Discussions ²⁸ and (2) at the timing of evaluation, which means the project finalized. | Can identify whether JBIC made loan agreement in the case of category A, B and FI according to the safeguard policies of JBIC. ²⁹ |
| Project themes | Can be easily identified | Can be easily identified | Can be easily identified | Often identified easily if press-release exists |

Table 3 | Summary of the information gathering in comparison with the official figures by the MoFA

| FINANCE TYPE | | OFFICIAL FIGURES (AS OF END-FEB 2012, BILLION USD) | OUR SURVEY (AS OF END- MARCH 2012, BILLION USD) | COVERAGE |
|---------------------------------------|---|---|--|----------|
| ODA | Grant | 2.05 | 1.75 | 85% |
| | Loan | 6.11 | 5.77 | 95% |
| OOF (incl. leveraged private finance) | Can identify (1) whether JICA makes Loan Agreement and (2) at the timing of evaluation, which means disbursement ended before that. | 5.07 | 4.20 | 83% |
| Total | Can be easily identified | 13.2 | 11.7 | 89% |

been particularly difficult to find. We recognize, however, that in many cases the planning and execution of projects may take substantial time (especially in the case of large scale infrastructure projects). Many projects are in their early stages of implementation and may not yet be at the point where reporting on disbursement is possible.

Data coverage

We were able to identify about 250 likely FSF projects out of total 783 committed by 29 February 2012 through extensive desk research. The identified projects account for USD 11.7 billion, or nearly 90% of the total government-reported value of all projects committed by 29 February 2012, and more than 75% of the amount pledged in COP15. The data coverage in monetary terms is fairly sufficient at the level of financial instruments. Our understanding is that most of the projects that we could not identify were small grant projects, particularly technical assistance projects implemented by JICA.³⁰

About 84% of the total climate-related ODA (USD 7.5 billion) was described explicitly in the government's reporting on FSF. A significant share of the remaining climate-related ODA comprises large-scale loans, e.g. two metro projects in India (Chennai and Kolkata) and the Yamuna Action Plan Project (III) in India. These projects are included in our analysis because they meet the criteria described in Methodology section, although we were not able to confirm that they have been counted as FSF. Data coverage for ODA loans is particularly good because of the limited number of projects, which made it easy to identify them. The data coverage for ODA grants is lower than for ODA loans and OOF because of the numerous small projects that we could not identify, especially in 2011. The

summary results of information gathering are presented in Table 3.

The following results are based on the project-level information gathered by the authors except for cases, which are explicitly identified, where aggregate numbers reported in the official FSF documentation inform some of the research questions. The fact that our project list covers most of the government-reported value for each type of finance is a strong indication that the results of this assessment are likely to be representative of the actual FSF spend. The comparison of aggregate figures based on the information gathered in this study with those provided by the Japanese government are provided in Annex 3.

Nearly half of identified likely Japanese FSF is delivered as concessional loans

Figure 4 shows the breakdown of Japanese FSF by instrument type and Figure 5 presents the breakdown of identified likely Japanese FSF by channeling institution. The two figures show similar trends, because each channeling institution specializes in particular financial instruments, as presented in Figure 3. A variety of financial instruments, both public and private, are used for Japanese FSF. More than 60% of the identified likely FSF is committed through the existing ODA instrument, with ODA loans alone accounting for about half of the total FSF. JICA delivers almost all Japanese ODA, except when delivery is linked to the diplomatic efforts of the MoFA and other ministries (JICA 2011a). Non-concessional loans delivered through JBIC also account for more than a quarter of total identified likely FSF. Concessional and non-concessional loans together account for about three-quarters of identi-

Figure 4 | Breakdown of Japanese FSF by instrument type (based on IGES' assessment)

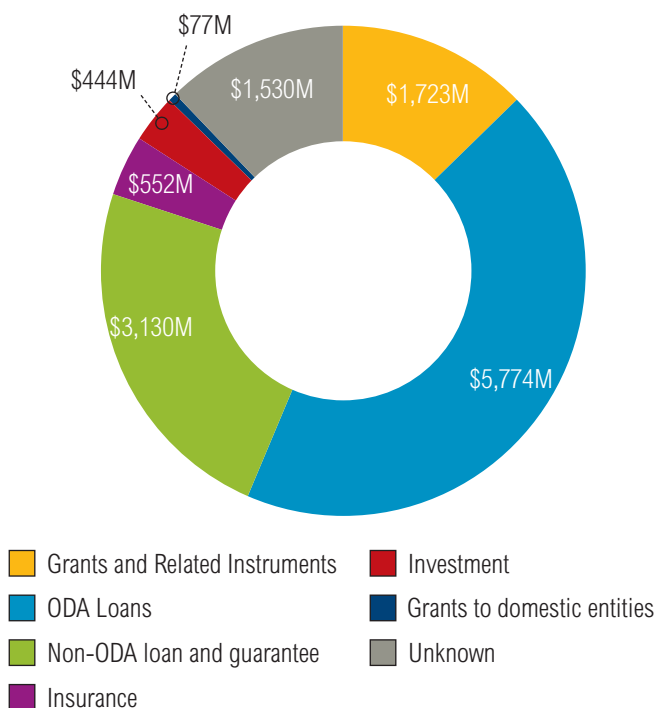
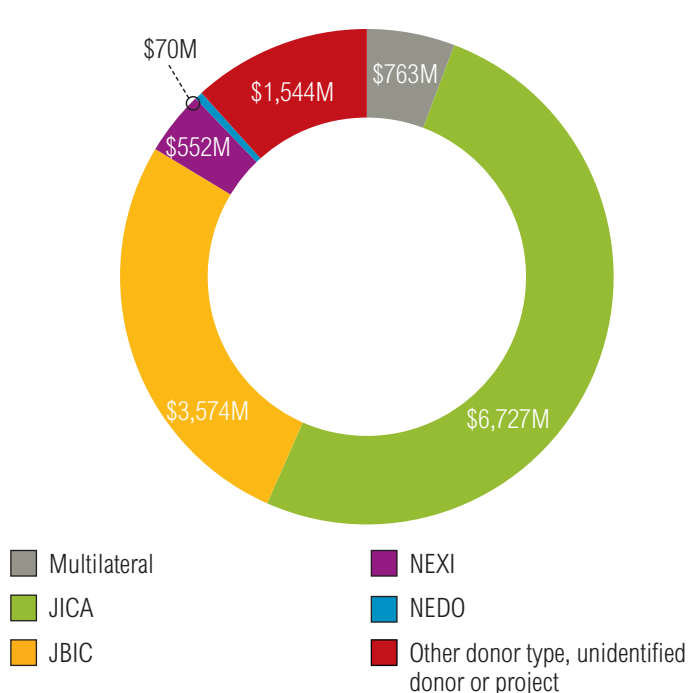


Figure 5 | Breakdown of Japanese FSF by channelling institution (based on IGES' assessment)



fied likely Japanese FSF. The significant role of loans in Japanese FSF reflects the relative reliance on loans for Japanese ODA more generally (JICA 2011b), as the use of loans is stated to encourage and nurture the “self-help efforts” of developing countries for eventual financial independence, which is “the most important philosophy” of Japan’s ODA (MoFA, 2003). Furthermore, these forms of finance are undoubtedly more politically viable for the government to mobilise: export credit finance benefits domestic businesses and helps foster their expansion and creation of new jobs; and loan finance will be at least partially repaid over time. Japanese public loan finance is often some of the least expensive capital available to developing countries, and can be quite attractive for infrastructure programmes.

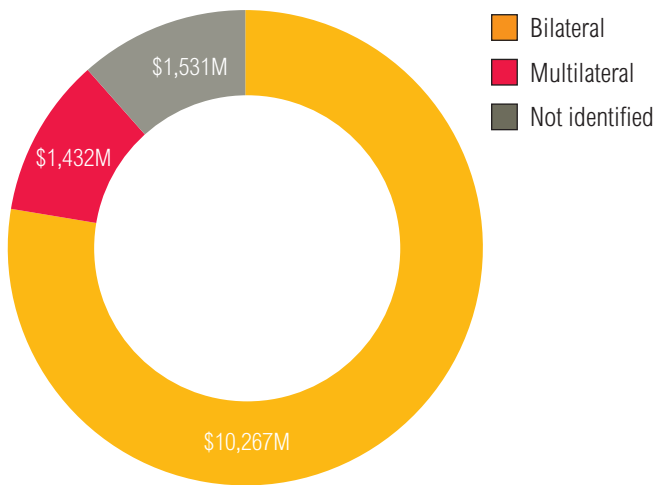
Bilateral institutions deliver the majority of FSF. The share of FSF channeled through multilateral institutions is only around 10% (see Figure 6), and therefore relatively small (compared to countries such as the UK, for example). Contributions to multilateral funds are made as grants. Most of the multilateral spending for FSF is accounted for by the USD 640 million grant³¹ contribution to Climate Investment Funds (CIF).³² There is also a USD 300 million loan to the Development Bank of Latin

America (CAF),³³ which accounts for about one-third of total Japanese FSF distributed to multilateral funds. Other contributions to multilateral funds include Global Environmental Facility (GEF; USD 68 million), World Food Programme (WFP; total amount not disclosed), the Asian Clean Energy Fund³⁴ (administered by the Asian Development Bank; USD 18 million), International Tropical Timber Organization (ITTO; total amount not disclosed), UNICEF (total amount not disclosed), UN-REDD³⁵ (USD 3.2 million), and the United Nations Development Programme (UNDP; total amount not disclosed).

Other official flows directed through JBIC account for more than one-third of identified likely FSF

OOB (e.g., non-ODA loan, loan guarantee, export and investment insurance) including leveraged private finance accounts for more than one-third of total identified likely FSF. A single USD 1.2 billion project finance and political risk guarantee for expansion of the Paiton coal-fired power plant in Indonesia accounts for one third of JBIC’s delivery of FSF (JBIC 2009a). Non-ODA loans from JBIC primarily support three initiatives: the Facility for Asia Cooperation and Environment (FACE), the Leading Investment to Future Environment (LIFE), and Global ac-

Figure 6 | **Bilateral and multilateral Japanese FSF (based on IGES' assessment)**



tion for Reconciling Economic growth and ENvironmental preservation (GREEN), which we discuss in further detail below.

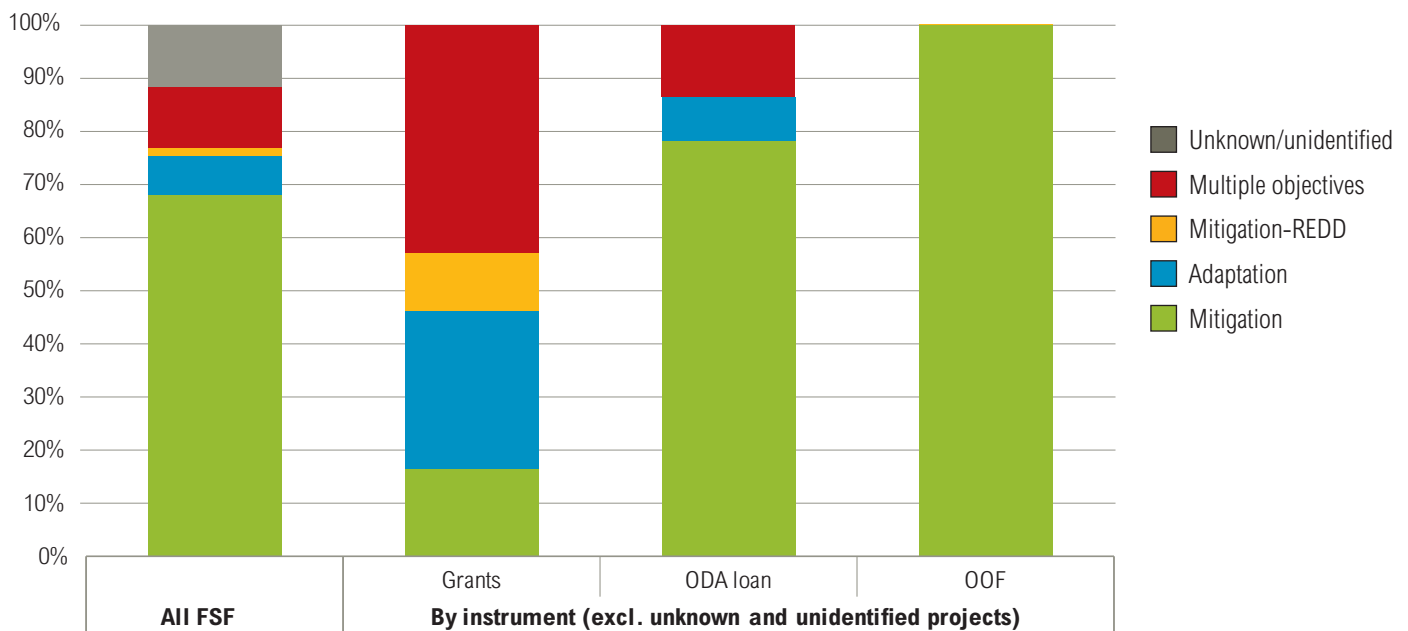
FACE was established in 2008 as part of the Cool Earth Partnership to mobilize private finance to contribute to GHG reduction through energy saving, new energy resources³⁶ and forest conservation and support in Asian

countries. It aims for some JPY 100 billion (about USD 0.9 billion,³⁷ including leveraged private finance) in total from 2008 to 2012 (JBIC, 2008).

LIFE was announced in February 2009 amidst the global financial crisis to support economic recovery by facilitating environmental investments in developing countries by mobilizing a variety of financial tools, including FACE (JBIC 2009b,c).

GREEN was created after the commitment to FSF in March 2010 following the revision of the Japan Finance Corporation Act.³⁸ GREEN allows JBIC to expand its support for projects undertaken in developing countries that have a favorable impact on the preservation of the global environment, by giving it a new responsibility to promote overseas businesses with the purpose of preserving the global environment, including preventing global warming (JBIC 2010, 2012). This revision enabled JBIC to support a project even if it did not involve Japanese companies, as long as it offered global environmental benefits. In addition, the “J-MRV” guidelines were issued in 2010 to provide a basis for calculating project emission reductions based on the difference between the baseline emissions and the actual emissions from the project. These guidelines are applied to all projects seeking to prevent global warming under GREEN.^{39, 40}

Figure 7 | **Breakdown of FSF by objective for different financial instruments (based on IGES' assessment)**



FSF by NEDO includes a set of demonstration projects for advanced energy-efficient technologies carried out in developing countries (NEDO 2011) and feasibility studies on the deployment of various low carbon technologies in developing countries for the purpose of establishing the Bilateral Offset and Credit Mechanism (BOCM) (NEDO 2012). With regard to export and investment trade insurances from NEXI, we identified investment insurance for two hydropower projects in Viet Nam (NEXI 2011a,b) and a green petrochemical plant in Brazil (NEXI, 2011c). If private finance is excluded per the caveats in Japan’s self reporting, these projects might not count as fast start finance. The MoFA factsheet indicates that private finance accounts for USD 3.1 billion of a total USD 13.2 billion Japanese FSF. Private climate finance is included under non-ODA loans and guarantees, investment, investment insurance and unidentified OOF. While we identified private finance FSF projects, it was not always possible to identify the portion of private finance at the individual project level.⁴¹

More than 85% of identified likely Japanese FSF supports mitigation

In the context of “balanced allocation between adaptation and mitigation” called for by the Cancun Agreements, Figure 7 presents the breakdown of FSF by objective for different financial instruments based on the numbers pre-

sented in the MoFA information sheet.⁴² More than 85% of the identified FSF supported mitigation exclusively or together with other objectives. However, the instruments used to deliver FSF affect the objectives supported, and there is greater balance in the distribution of ODA grants between mitigation and adaptation objectives. Nearly all of the grant contribution towards both “Adaptation/Mitigation” is the funding for the Climate Investment Fund (CIF; USD 640 million). By contrast, most ODA lending addresses mitigation, and the entire OOF also addresses mitigation. This is not surprising because there is greater commercial viability and private sector participation in many mitigation projects, such as the construction of power plants and urban transportation infrastructure. Such interventions are, so far, less common for adaptation. Japanese ODA is intended to use different support instruments that suit the objectives and particular needs of recipient countries.

Asia is the largest recipient of Japanese FSF

Figure 8 presents the breakdown of FSF by recipient region for different financial instruments. More than half of the total Japanese FSF is directed to Asia, but the regional distribution differs significantly by the instrument type utilized. About 40% of ODA grants are distributed through multilateral funds, mostly the CIFs. A large share of bilateral grants is directed to Africa and Asia. Part of

Figure 8 | Breakdown of FSF by objective for different financial instruments (based on IGES’ assessment)

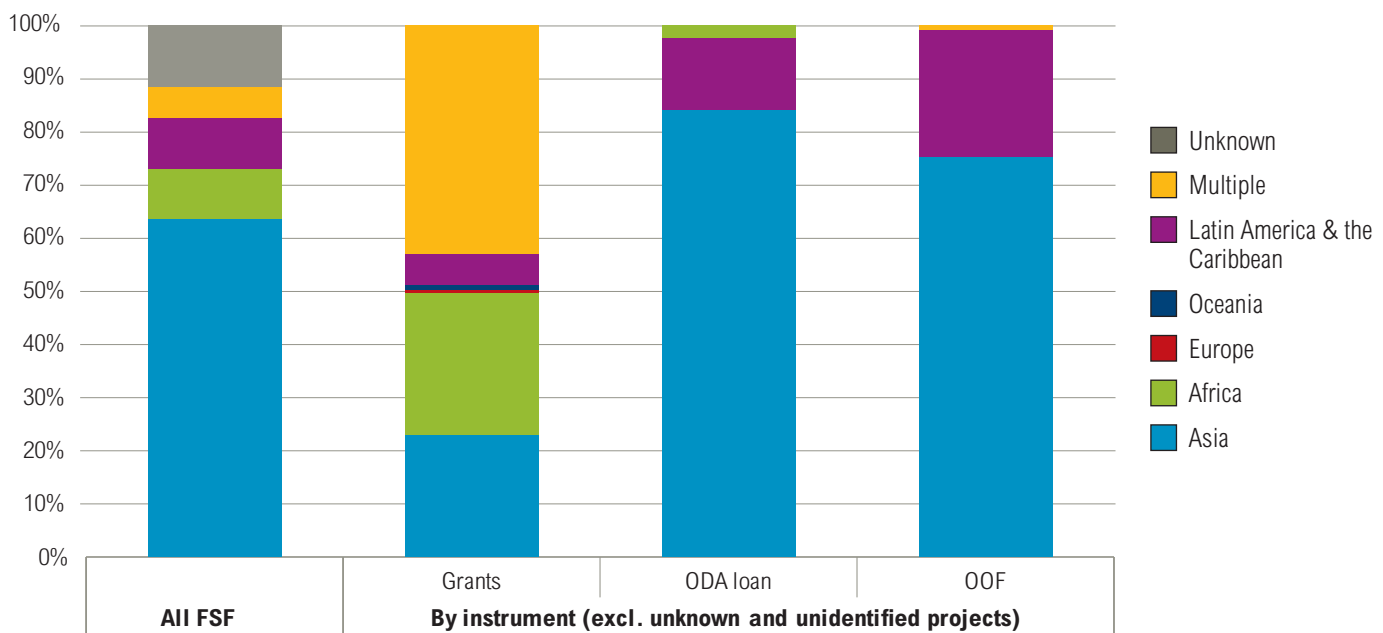
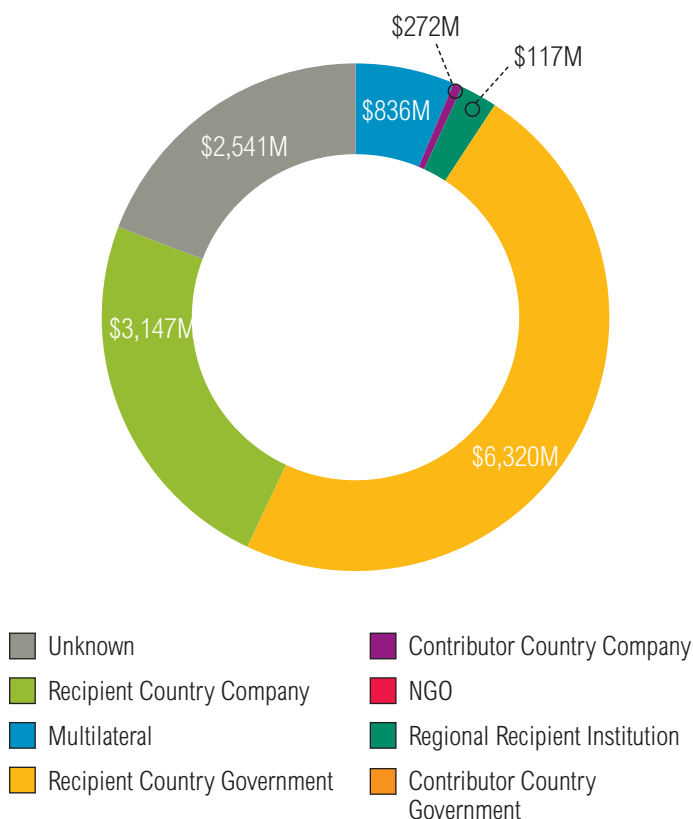


Figure 9 | Recipient Region (FY10-11)



the climate change-related ODA grant to Africa comprises the financial support to Africa announced at the 4th Tokyo International Conference on Africa Development (TICAD IV) (MoFA 2008c). Although our data set does not allow us to present conclusive figures, it suggests that the top 5 recipient countries of bilateral grants are: Pakistan, Cambodia, Tanzania, Kenya, and Democratic Republic of Congo, accounting for 25% of total grants. Bilateral grants are fairly well distributed over the countries when compared to ODA loans, which are predominantly directed to growing Asia, particularly India and Indonesia; these two countries alone account for 62% of total identified climate ODA loans. Moreover, about 10% of total Japanese FSF from public sources (about USD 1 billion of USD 10.1 billion) is distributed to Least Developed Countries (LDCs) and Small Island Developing States (SIDS) as a response to the needs of the most vulnerable, according to the MoFA documentation.⁴³

The regional distribution of OOF is quite different; about half of this finance is delivered to Latin America & the Caribbean (LAC). Most of the OOF to the LAC region is

related to renewable energy, such as the JBIC's USD 300 million loan to the Development Bank of Latin America under the GREEN Initiative (JBIC 2011a).

Half of Japanese FSF is directed to governments

Figure 9 presents the breakdown of Japanese FSF by recipient institution. About half of the total FSF is distributed to the national governments of recipient countries. Although this assessment does not look into how this money is actually spent by the national governments of recipient countries, the result of bidding, including the name of the company, is disclosed by JICA.

22% of FSF is directed to private companies based in recipient countries, which includes loans to private banks in recipient countries to support them to invest in projects related to climate change mitigation and adaptation. 2% is directed to Japanese companies, including through NEDO feasibility studies on new technologies that are implemented in developing countries by Japanese companies, as well as Japan-tied ODA loan projects.

Climate objectives: application of “Rio Marker”

OECD DAC Rio Marker was applied to the identified likely FSF projects that are ODA. The assessment was conducted for projects with: (1) adaptation objective only and (2) mitigation objective only (including REDD+). The Handbook on the OECD-DAC Climate Markers (hereafter, “Handbook: OECD 2011c”) that describes the marking methodology requires evaluation of project objectives for the assignment of a Rio Marker and classifies projects accordingly into three categories: ‘Principal’, ‘Significant’, and ‘Not Targeted.’ The limited availability of project information, however, sometimes did not allow us to distinguish definitively between these categories. Therefore, we made additional classes “at least significant” and “ambiguous” and additionally used the following evaluation rules:

1. The project is classified “principal” when the project title contains the word “climate change” but a detailed project description is not available. While this is a rather crude approach, it did not significantly affect the overall result because this rule was applied only to small grant projects.
2. “At least significant” is given to projects that obviously contribute to climate change mitigation or adaptation, but for which it is not clear whether the project would have taken place without the climate objective.

Table 4 | Application of Rio Marker to likely Japanese FSF projects that are ODA (based on IGES' assessment)

| CLIMATE OBJECTIVE | ADAPTATION ONLY (TOTAL USD 982 MILLION) | | MITIGATION (INCL. REDD+; TOTAL USD 5337 MILLION) | |
|----------------------|---|--|--|---|
| | % (in monetary terms) | Example project types | % (in monetary terms) | Example project types |
| Principle | 24 | Contribution to climate change-specific funds, adaptation programs | 10 | Clean energy programs with explicit climate objectives (e.g. NAMAs) Contribution to climate change-specific funds Forest Preservation Programme (REDD+) |
| At least significant | 2 | Food and water security programs and information systems which are explicitly linked to climate change, but not clear if the programs would have taken place without this objective | 7 | Clean energy programs without explicit climate objectives |
| Significant | 32 | Programs on food and water security programs and information system which are explicitly linked to climate change, but would have taken place without this objective. Disaster recovery/aid projects (prevention of further damage and indirect improvement of adaptation capabilities) | 70 | Biodiversity programs involving forest conservation, energy security involving clean energy or efficiency Urban transport system construction (metro, bus and railway) |
| Ambiguous | 42 | Food and water security programs and information system which have no project description related to climate change Disaster recovery/aid projects | 12 | Power sector reform with no explanation of link to mitigation "Efficient" fossil fuel-fired power plant installation |

- Renewable energy projects were classified “at least significant” when no detailed description of the project was available.
- “Ambiguous” was given when it is unclear if the projects contribute to climate change mitigation or adaptation at all.

The results are presented in Table 4. For both mitigation and adaptation objectives, finance that focuses on either goal as “principal” or “at least significant” objective was found to be limited. This is not surprising because most of Japan’s climate finance addresses multiple objectives alongside climate change. 70% of mitigation finance had climate change as a “significant” objective. There are a number of possible explanations for this result. First, with regard to mitigation projects, we classified three ODA loan projects in India for metro public transport (Chennai, Kolkata and Bangalore), two projects on mass transit railway (Bangkok and Delhi), and an urban bus transport system in Brazil (Belem) as significantly targeting mitigation. Many large-scale loan projects address climate change as one of a range of other objectives, and climate is

seldom the principal objective. Of course, climate focused projects should offer other social, environmental and economic co-benefits, and there may be a case to be made for seeking a clearer climate related justification for any mitigation projects that are supported with climate finance.

Second, there are number of projects for which a climate change mitigation and adaptation purpose was not clear. A number of fossil fuel-fired power plant construction projects seem to be counted as FSF projects by the Japanese government, for example a JICA loan for the Talimarjan natural gas combined cycle (NGCC) power plant in Uzbekistan (JICA, 2010). State-of-the-art power generation technologies do not automatically contribute to the reduction in GHG emissions, especially when a baseline reference case has not been made available or subject to debate. In the case of Talimarjan NGCC project, the CO2 emissions reduction is calculated with the earlier envisioned natural gas-fired steam turbine condensing power plant as the baseline technology that would have been used under a business as usual scenario (Uzbekenergo, 2012). We assigned “ambiguous” to this project because we were not certain whether the baseline assumption

would be widely accepted. Other developed countries such as the US and UK have not included support for low carbon fossil fuels in their FSF contributions so far. Future discussions on climate finance may need to clarify whether climate finance would count financial contributions to “clean” fossil fuel-fired power generation technologies.

Third, with regard to adaptation finance, a number of projects finance disaster recovery. One example is the “Post Ondoy and Pepeng Short-Term Infrastructure Rehabilitation Project” (MoFA 2010a). While the project contributes to prevent further damage in an area struck by natural disasters, the nature of assistance to natural disaster is responding to what has happened, not to prepare for the negative impacts of climate change. Although we classified the project as “significant”, the exact impact of the program in supporting adaptation may need to be clarified.

Fourth, more than 40% of adaptation projects had an “ambiguous” link to climate change based on applying the OECD DAC guidelines. The guidelines require an explicit reference to the climate change adaptation in project documentation and descriptions. We found it particularly difficult to assign adaptation markers because many of Japanese supported projects do not explicitly include adaptation in their descriptions, even though in many cases project goals do seem relevant for adaptation.

USD 1527 million of the Japanese FSF spend has multiple objectives (adaptation, mitigation and REDD+). Most of this finance had climate change as a principal objective, as a result of the fact that the Japanese contribution to the Climate Investment Funds accounted for 76% of this share of the FSF.

“New and additional”

Negotiations on climate change finance under the UN-FCCC have resulted in an agreement in principle that climate change finance should be new and additional to traditional development assistance. How to apply this principle in practice, however, is unclear and contested. So far, the Japanese government – like many other developed countries – does not seem to have defined how it interprets the principle of “new and additional” in practice.

In this section we consider the extent to which the Japanese FSF contribution might be considered new and additional with reference to five key considerations, drawing on the literature on climate finance additionality (Brown et al. 2010; Fallasch and De Marez 2010). This issue was also central to

the assessment methodology, and subjected to peer review in that context. These five considerations do not represent the particular views of the authors or Japanese government on how “new and additional” should be interpreted.

Does annual Japanese FSF exceed annual Japanese climate finance in the years prior to the fast-start period?

Although it is difficult to reach definitive conclusions on the basis of the information that has been made available, there is some indication that the annual Japanese FSF exceeds annual Japanese climate finance in the years prior to the fast-start period. As described in the Introduction, the Cool Earth Partnership which preceded FSF explicitly targeted climate change, and pledged USD 10 billion in five years (2008-2012), or USD 2 billion per year on average. The Japanese FSF, on the other hand, pledges USD 15 billion in three years (2010-2012), which is on average USD 5 billion per year. They both consider OOF including leveraged private finance.

Does Japanese FSF “recycle” or include previously pledged climate finance?

Our analysis indicates that more than half of the pledged Japanese FSF was originally pledged through the preceding Cool Earth Partnership (CEP). As described in the Introduction, the Japanese FSF, or the Hatoyama Initiative, builds on the CEP announced in 2008. About USD 2.5 billion of the pledged USD 10 billion was spent under the CEP by December 2009.⁴⁴ According to MoFA, the unmet USD 7.5 billion pledge of the CEP will be entirely shifted to the Hatoyama Initiative (OECD 2010a). This USD 7.5 billion of previously pledged finance therefore might not be understood to qualify as “new and additional”. The Japanese FSF contributions that were financed through the Clean Earth Partnership include all or part of the following pledges:

- Up to USD 100 million to the Asian Clean Energy Fund (ACEF; 2007) (Ministry of Finance, 2007);
- USD 92.1 million pledged in the 4th Tokyo International Conference on African Development (TICAD IV; in May 2008,) (MoFA 2008d);
- USD 59 million pledged at the Fifth Pacific Islands Leaders Meeting (PALM5; May 2009, about JPY 6.8 billion including themes other than climate change) (MoFA 2010b);

- USD 4.3 billion pledged in the First Meeting between the Heads of the Governments of Japan and the Mekong region countries (November 2009, more than JPY 500 billion including themes other than climate change) (MoFA 2009a).

In addition, it seems that the Japanese FSF includes commitments that were made prior to the FSF period and not counted as part of the CEP. All of the USD 645 million contribution to CIFs is counted as FSF, although this pledge was originally made in 2008 (MoFA 2009b). The Japanese government stated that the contribution to CIF is new and additional because it represents a new effort to support climate change action.⁴⁵ On the other hand, if the amount of the pledge is analyzed on a project basis, all the Japanese FSF submitted to UNFCCC is “new and additional”, as funding was only committed to the projects listed after January 2010.

Do projects and programs identified as FSF include more climate finance than they did prior to the fast-start period?

A comprehensive evaluation of the funding history of projects and programs reported as Japanese FSF was beyond the scope of this assessment. We observe, however, that a number of these projects and programs date back several years – and occasionally decades – as does Japanese support for them. For example, the Japanese support to the World Food Programme (WFP) seems to have begun to factor climate-related risk into its food security strategy (WFP Japan Office 2011). Although support for these climate-focused aspects can be considered new, it is not clear if they can be considered additional as it is not possible to break down the support by objectives.

Has Japan achieved 0.7% Gross National Income (GNI) for overseas development assistance (ODA) during the fast-start period?

Some governments and observers hold that finance should only be considered new and additional to the pledges that many developed countries made at the Monterrey Summit in 2002 to increase development assistance to 0.7% of their Gross National Income (GNI), which was reiterated by the G8 in 2005. This view reflects fears that increasing climate finance will divert aid from developmental priorities towards environmental projects and programmes.

Most donor countries, including Japan, have not sur-

passed the 0.7% target for ODA. While Japan is the fifth largest donor of net ODA, its net ODA/GNI ratio has been modest at around 0.2% in recent years (OECD 2011a). Thus, Japanese FSF would not qualify as “additional” according to the 0.7% criterion.

How does the change in Japanese climate finance from the pre-fast-start period to the fast-start period compare to the change in Japanese development assistance over the same period?

Japanese gross ODA commitments (current prices) appear to have increased by 18% from USD 14.9 billion in 2009 to USD 17.5 billion in 2010 (OECD Stats, 2012), while its climate mitigation-related⁴⁶ gross ODA commitment (current prices) reported to OECD DAC, though not entirely equivalent to FSF, increased by 42% from USD 4.3 billion to USD 6.1 billion in 2010 (OECD 2010b, 2011b). At least for the mitigation-related ODA commitment, the growth rate is significantly larger than that for the total ODA commitment. However, it is difficult to reach definitive conclusions for the entire FSF period given the limited availability of data.

CONCLUSIONS AND RECOMMENDATIONS

Japan has made an important commitment to mobilize USD 15 billion in fast-start climate finance (FSF) between 2010 and 2012. Japan's stated commitment accounts for roughly half of all pledged fast-start climate finance (FSF) between 2010 and 2012. The magnitude of the Japanese pledge suggests that climate finance is a high priority of the Japanese government. This study aimed to clarify the characteristics of Japanese FSF and the current reporting practice on FSF by the Japanese government.

Japan counts a considerable amount of other official flows (OOF) in its FSF contribution; however, the role of leveraged private finance is ambiguous.

Japanese FSF (i.e., the Hatoyama Initiative) includes various types of OOF, including leveraged private finance, non-concessional loans, loan guarantees and investment and trade insurance by quasi-governmental agencies. OOF committed as FSF amounts up to USD 5.1 billion by 29 February 2012, or around 40% of total USD 13.2 billion. About USD 3.1 billion of OOF is leveraged private finance, and based on caveats included in some Japanese FSF reporting, it is not clear that Japan considers this sum to constitute part of its FSF contribution. It is, however, included in the original USD 15 billion pledge and the USD 13.2 billion mobilized in support of that pledge.

Although we could identify much of OOF counted as FSF (e.g. projects under JBIC's GREEN initiative) signed by 29 February 2012, some projects that we identified as likely FSF were based on our own judgments with assistance from external experts. Moreover, it was not possible to identify the fraction of private finance in most of these projects due to limited availability of public information. It is also not clear how the financial instruments such as loan guarantees and export and investment insurance are accounted for as part of the USD 15 billion pledge.

Japanese FSF is heavily weighted toward mitigation and many FSF projects target multiple objectives alongside climate change

About 70% of Japanese FSF in monetary terms exclusively addresses mitigation objectives. Although this is not in line with the context of the Cancun Agreements that the FSF distribution should be balanced between adaptation and mitigation objectives, it is largely explained by the large

proportion of OOF that is usually oriented towards mitigation and instruments of Japanese ODA. About 75% of Japanese FSF is provided in the form of loans (concessional and non-concessional), and the large majority of this is given to infrastructure development which has one or more objectives other than climate change adaptation and/or mitigation such as urban transport projects. There is more even balance between adaptation and mitigation objectives within the grant portion of the FSF contribution.

This study has shown that Asia receives the most FSF among all regions, irrespective of financial instrument type. However, as with Japanese ODA in general, financial instruments for Japanese FSF distribution is differentiated by the economic level of recipient countries. Less developed regions like Africa receive more grant aid than other continents, to meet the specific needs and developmental stage of recipient countries. An interesting finding is that a large fraction of OOF is distributed to Latin America and the Caribbean region through loan projects to promote renewable energy.

The Japanese FSF does include "clean" fossil fuel power plant construction projects. There is a need for greater clarity amongst members of the international community about how support for lower carbon fossil fuel facilities should be treated in the context of climate finance.

Japanese FSF reporting follows its standard procedures for reporting on conventional development assistance projects, but there is a real need to improve transparency

There is room to strengthen transparency, accountability and credibility of the Japanese FSF. Some of the identified issues may be attributable to the fact that Japanese FSF contains a very large number of projects from various channeling institutions, making it difficult for the government to obtain a clear overview of Japanese FSF.

A substantial challenge is that information on FSF is utterly disaggregated. This reflects the limitations of standard government reporting on ODA and OOF. Most of the climate finance projects could not be easily identified without extensive key word research on the websites of implementing agencies. The two submissions to UNFCCC only list some 120 out of total 783 projects, covering just over USD 2 billion of total of more than USD 13.2 billion committed by 29 February 2012. Given the strong interest in improving transparency on the delivery of climate finance commit-

ments, there may be a case to be made to the government for further strengthening reporting on its FSF contribution. In this study, we identified about 250 likely FSF projects, amounting up to USD 11.7 billion or nearly 90% of the amount committed by 29 February 2012. At the same time, more than 500 FSF projects remained unidentified. This makes it difficult to reach insights into the regional distribution of projects as well as the distribution of project types. As a result, the full impact of the government's contribution is not sufficiently understood by its intended recipients.

Once the projects were identified, it was often possible to gather part of the information required for the present assessment. Nevertheless, none of the official FSF documents provide links to other official documents and information sources regarding FSF that even identifying information sources on FSF was already challenging. Some key information such as recipient institutions and disbursement status are currently lacking in all official FSF documents. We recognize that some time may pass between project approval and actual disbursement of funds, given the complexities of program planning and execution. It therefore may not be possible to report on the status of disbursement soon after project approval, however, in our view it should be possible to make provisions for such monitoring and reporting over a longer term period.

In addition, the Japanese government and the FSF implementing agencies are not always explicit about which projects they count as FSF supported projects (in particular on OOF), making any kind of review of the Japanese FSF extremely difficult. The Japanese government's decision not to disclose the entire list of FSF projects can prompt speculation over what it counts towards this commitment, regardless of whether such skepticism is justified in reality.

Moreover, in order to assess the contribution of climate finance in recipient countries better, it is important to have transparency about both the flow of financial resources to recipient countries as well as clarity on how such resources are allocated and utilized by recipient countries in a timely manner. This, however, requires better information on how climate finance is spent within recipient countries, and has reporting implications for recipient institutions.

At the same time the Japanese government is taking some steps toward better transparency of Japanese FSF. For example, the second submission to the UNFCCC added information about channeling institution in the list of FSF projects. For further improvement of Japanese future

climate finance reporting practice, we suggest that the government:

- Specify the climate finance projects that constitute the aggregated FSF support detailed in the official documentation.
- Add the following information for each project: recipient institution, objective of the project,⁴⁷ and grant element.
- For each project, add a project description including activity, expected outcome and categorization according to the safeguard policies when applicable.
- Add related URL links to the detailed project description of the implementing agencies in the project list of future climate finance FSF reports, so that stakeholders can easily access the project information. This may partly fulfill the prior suggestion to provide more complete information on the supported projects.
- Explain the eligibility criteria of climate finance for ODA and OOF.
- Standardize the format for the climate finance reporting in partnership with other donor countries, building on existing standards for reporting such as those established through the International Aid Transparency Initiative (IATI). A standardized reporting format can not only enhance the transparency of climate finance projects, but also can establish the basis for peer-review and facilitate comparison of climate finance between donor countries.
- Aggregate currently scattered sources of information on the FSF contribution in order to further enhance transparency on climate finance and raise recognition of Japan's financial contribution.

Of course, the improved reporting practices should avoid unnecessary complexity. We recognize that there are some costs associated with increasing transparency, and these will need to be managed as efficiently as possible. Furthermore, in improving transparency, the government should also seek to maximize the simplicity of internal and external reporting systems. While this may take some upfront investment, it is our view that the adoption of such processes will offer many benefits.

The extent to which Japanese FSF is “new and additional” is not clear

While the FSF contribution reflects some new effort to address climate change, it is unclear that the contribution as a whole can be considered “new and additional.” Since the start of the FSF period, the Japan has substantially increased international finance that explicitly targets climate change. Some Japanese agencies have also begun integrating climate change into aspects of development assistance and development finance. Applying five different criteria proposed in the literature, however, the results indicate that at least a portion of the Japanese FSF spend is not new and additional. The fact is that a significant share of Japanese FSF was pledged prior to the start of the FSF through initiatives such as the Cool Earth Partnership. Furthermore, Japan’s FSF cannot be seen as additional to its existing commitments to scale up development finance to 0.7% of its GNI. However, the projects that are supported by the Japanese FSF reported in the submissions to UNFCCC were all approved after 2010, and therefore follow the start of the FSF commitment period. It is not clear that all the projects that are “counted” as climate finance in the spirit of meeting fast-start commitments consistently involve new efforts to respond to climate change. In some cases, it does appear that credit is being claimed for worthy projects that have been underway for some time, and happen to be relevant to climate change.

This raises some difficult issues. Certainly it is important to maintain support for programs that deliver clear environmental and social benefits. Furthermore, because most sectors and interventions either impact or are impacted by climate change, it is important for climate change considerations to be mainstreamed into both ODA and OOF. It will be increasingly important for all development programs to take climate change considerations on board. But this type of integration alone is not sufficient to respond to the increasing climate change needs of developing countries.

Japan’s commitment to climate finance is important and must be improved and sustained

As mentioned earlier, Japan commitment to the FSF is significant, although there are a number of challenges regarding transparency. FSF is only the beginning of developed countries’ direct financial support to developing countries for climate change mitigation and adaptation. Sustained efforts have a crucial role to play over the next decade in catalyzing global action on climate change. It is therefore important to continue to strengthen and

improve the mobilization and transparency of climate finance, in order to be able to make more effective use of scarce public resources.

ACRONYMS

| | |
|--------|---|
| ACEF | Asian Clean Energy Fund |
| CIFs | Climate Investment Funds |
| CTF | Clean Technology Fund |
| DAC | Development Assistance Committee |
| ECA | Export Credit Agency |
| FSF | Fast Start Finance |
| FY | Fiscal Year (In Japan, 1 April - 31 March) |
| GEF | Global Environment Facility |
| GNI | Gross National Income |
| IATI | International Aid Transparency Initiative |
| IGES | Institute for Global Environmental Strategies |
| JBIC | Japan Bank for International Cooperation |
| JICA | Japan International Cooperation Agency |
| LDC | Least Developed Country |
| LDCF | Least Developed Countries Fund |
| MDB | Multilateral Development Bank |
| METI | Ministry of Economy, Trade and Industry, Japan |
| MoFA | Ministry of Foreign Affairs, Japan |
| NEDO | New Energy Development Organization |
| NEXI | Nippon Export and Investment Insurance |
| OCN | Open Climate Network |
| ODA | Official Development Assistance |
| ODI | Overseas Development Institute |
| OECD | Organization for Economic Cooperation and Development |
| REDD+ | Reducing Emissions from Deforestation and Forest |
| SIDS | Small Island Developing State |
| SREP | Scaling Renewable Energy Program |
| UN | United Nations |
| UNFCCC | United Nations Framework Convention on Climate Change |
| WFP | United Nations World Food Programme |
| WRI | World Resources Institute |

ANNEX 1: CLIMATE FINANCE TRACKING EFFORTS

A number of resources for tracking climate finance exist, including:

- **National Communications:** Under the UNFCCC, Annex II Parties are required to submit National Communications to the Conference of the Parties (COP) that report information on climate finance, including bilateral and regional support by recipient country, support to multilateral institutions, and support to the GEF. They are also required to indicate the “new and additional” financial resources provided, and to clarify how they have determined these resources as such.⁴⁴
- **Fast-Start Reports:** The 2010 Cancun Agreements invite Parties to submit information to the UNFCCC secretariat in May of 2011, 2012, and 2013 on the resources provided to fulfill their FSF commitment. In November 2011, the UNFCCC secretariat launched a FSF module on its Finance Portal that links to the May 2011 reports (UNFCCC 2011). The Netherlands has also established a web portal (www.faststartfinance.org) to which both contributor and recipient countries voluntarily self-report.
- **OECD DAC:** The Organisation for Economic Co-operation and Development (OECD)’s Development Assistance Committee (DAC) compiles data on international assistance from its 23 members and 12 multilateral organizations, and has collected data on aid for mitigation since 1998 and for adaptation since 2010.
- **Multilateral Development Banks:** As climate change investments comprise a growing share of MDBs’ portfolios, a number of MDBs have begun to develop systems for monitoring climate finance.⁴⁵ In 2011, the MDBs agreed to harmonize the manner in which they track their climate change finance, and subsequently established an MDB Working Group on Climate Finance Tracking to advance this goal.
- **Independent Initiatives:** Initiatives by non-governmental organizations (NGOs) and the private sector, such as AidData, Climate Funds Update, WRI’s FSF summary table, and Bloomberg’s New Energy Finance also contribute to climate finance tracking efforts.⁴⁶

ANNEX 2: OCN FINANCE ASSESSMENT PARAMETERS

The parameters used in OCN's fast-start finance assessments are designed to support the objectives of:

- Clarifying what major contributor countries have counted as FSF
- Quantifying FSF, by contributor country, in terms of the institutions through which it flows, the financial instruments it comprises, and the objectives and recipients it serves
- Identifying best practices and areas for improvement in reporting on FSF

In selecting specific parameters by which to quantify FSF, we have paid particular attention to issues of political concern vis-à-vis climate finance – including institutions, objectives, recipients, and newness/additionality – as described in the section on Background and Context (The Politics of Climate Finance) and in the literature (e.g. Ballesteros et al., 2010; Brown and Jacobs, 2011; Corfee-Morlot et al., 2009; Tirpak et al., 2010).

Our assessment parameters are constructed on the basis of this literature and the discussions of a working group of independent experts convened by OCN. An earlier version of the methodology was subject to expert peer review, which was coordinated through OCN and included representatives of bilateral and multilateral institutions involved in climate finance, as well as independent experts.

The following parameters were examined for each project:

| PARAMETER | OPTIONS | EXPLANATION |
|-------------|--|--|
| Title | Project title | Based on various sources. The names described in the MoFA documentation is used whenever possible; otherwise the names are taken from the documentation of implementing agencies. |
| Description | Qualitative description of the project as reported | Based primarily on information reported in Exchange of Notes or Signing of Agreement whenever possible; otherwise taken from the documentation of implementing agencies. |
| Fiscal Year | <ul style="list-style-type: none"> ■ 2010 ■ 2011 ■ January and February 2012 | Based on the date of Exchange of Notes or Signing of Agreement, whenever possible; otherwise, based on the project commencement date indicated in available documents. |
| Amount | In MN USD | <p>Based on figures available in various sources. Whenever the amount is available in Japanese Yen (JPY), the currency exchange rate of 1 USD = 115 JPY was used. This exchange rate is used in all official documentation and thus seems to be the standard exchange rate for Japanese FSF accounting.⁴⁸</p> <p>Because the official documents do not provide clarity on what counts as FSF or the accounting method for different types of financial instruments, this assessment made the following assumptions:</p> <ul style="list-style-type: none"> ■ The amount of loans (ODA and non-ODA) is counted by the amount of the credit line⁴⁹ agreed in the loan agreements between JICA and borrowers, but the credit line is often different from the actual amount borrowed; ■ Regarding the export and investment insurance policies, it is not clear how they are accounted for by Japanese FSF submissions. In this assessment, the following approach was taken: (1) maximum amount that export credit agencies can pay under the terms of the insurance contract is reported if the risk coverage rates are available, (2) the insured amount is reported if the risk coverage rates are not available. |
| Status | <ul style="list-style-type: none"> ■ Pledged ■ Identified with domestic legal force ■ Deposited ■ Approved for disbursement ■ Disbursed | <p>All the projects in the list are made agreement on loan, grant or technical cooperation with recipients or borrowers.</p> <p>The project status was not investigated in this study.</p> |

| PARAMETER | OPTIONS | EXPLANATION |
|-------------------------------------|--|---|
| Source | <ul style="list-style-type: none"> ■ Budget appropriations ■ Development finance/export credit ■ Innovative Source: Public carbon market revenue, levy/tax on international transportation, or financial transaction tax ■ Private: Leveraged private finance, foreign direct investment, private carbon market revenue | <p>Most sources of the Japanese ODA-grant FSF is the General Account (i.e. tax) and the Fiscal Investment and Loan usually for ODA loan. Others are the Special Account and government subscription bond only for multilateral development banks (MoFA 2012c).</p> <p>With regard to OOF, most of the JBIC's financial sources come from borrowings from the Fiscal Investment and Loan Program (FILP) Agency Bonds, Government-guaranteed Foreign Bonds issuance, FILP Agency Bonds issuance, capital contributions and repayments (JBIC 2011b). All the NEXI's financial source is currently covered by premium by companies (NEXI 2010). Nonetheless, METI reinsures NEXI's insurance. The reinsurance budget of METI is from the Special Account for Reinsurance (METI 2010).</p> |
| Recipient Region | <ul style="list-style-type: none"> ■ Africa ■ Asia ■ Europe ■ Latin America and the Caribbean ■ North America <p>Based on UN regional classifications: http://unstats.un.org/unsd/methods/m49/m49regin.htm</p> | <p>Identified based on project description in available documentation.</p> <p>For multilateral funds, it was not possible in this assessment to determine the recipient country and regional breakdown, one it was financed.</p> <p>We assigned this parameter based on the recipient country that the finance is intended to benefit, which does not necessarily signify that the finance was transferred to an institution within that recipient country.</p> |
| Recipient Country | | <p>Except in instances where the finance supports multilateral or "global" programs, the recipient country and/or region were identified for each project in the relevant documentation.</p> <p>For multilateral funds, it was not possible in this assessment to determine the recipient country and regional breakdown, one it was financed. We assigned this parameter based on the recipient country that the finance is intended to benefit, which does not necessarily signify that the finance was transferred to an institution within that recipient country</p> |
| Recipient Institution | | <p>Information on the recipient institution was not consistently provided in available documentation. Where information was available, we attempted to identify the name and type (e.g., governmental, NGO, or private, and recipient- or contributor-based) of the institution receiving funding. In a number of cases, it was unclear whether an institution associated with a project was the direct recipient, an indirect recipient (e.g. subgrantee or subcontractor), or another kind of implementing partner. Thus, where our assessment lists a recipient institution, it could refer to any one of these roles.</p> |
| Recipient institution type | <ul style="list-style-type: none"> ■ Multilateral ■ Contributor Regional Government ■ Recipient Regional Government ■ Contributor National Government ■ Recipient National Government ■ Contributor State/City Government ■ Recipient State/City Government ■ Contributor NGO ■ Recipient NGO ■ Contributor Company ■ Recipient Company | <p>Classified based on recipient institution. In case of investment and trade insurance, it was classified by where the finance was delivered.</p> |
| Contributor Country Agency | <p>Name of contributor-country government entity administering the financial instrument to the recipient</p> | <p>Identified based on available documentation.</p> |
| Multilateral Channeling Institution | <p>For funds channeled through a multilateral institution, the name of the multilateral institution</p> | <p>Based on available documentation</p> |

| PARAMETER | OPTIONS | EXPLANATION |
|--------------------------------------|---|--|
| Financial Instrument | <ul style="list-style-type: none"> ■ Capital Contribution ■ Grants and related instruments ■ Loan ■ Loan Guarantee ■ Equity ■ Insurance ■ Other (specify) | All project documentation specifies the financial instrument. |
| Financial Instrument Characteristics | Any information on the characteristics of the finance (e.g., grant element), and/or how the country is counting that financial instrument towards its total FSF amounts, where available. | |
| Objective | We attempted to identify the extent to which FSF projects target the climate-related objectives of adaptation and mitigation. We did this at three levels of rigor: First, we identified how the United States seemed to be counting each project, and second, for a subset of projects, we assessed the extent to which each project would meet a more rigorous definition of adaptation or mitigation according to the OECD DAC Rio Markers. Finally, we examined those projects whose categorizations were ambiguous in more detail, and documented which project types were involved. | |
| Objective: Level 1 | <ul style="list-style-type: none"> ■ Adaptation ■ Mitigation – REDD+ ■ Mitigation – Other ■ Multiple | For the first level of assessment, we simply assigned each project to adaptation or mitigation on the basis of the description in the FSF report. While the United States has not specified which projects it is counting toward its adaptation totals and which toward mitigation, the project descriptions in the FSF report generally provide a strong indication even when the terms “adaptation” and “mitigation” are not used. For example, we classified food security projects as adaptation, and clean energy projects as mitigation. We also identified the subset of mitigation projects that are forestry, or REDD+. We classified projects that seemed to support more than one of these objectives as “multiple”. For example, projects that address adaptation and mitigation-REDD are classified under “multiple”. |

| PARAMETER | OPTIONS | EXPLANATION |
|-----------------------|---|--|
| Objective: Level 2 | <p>For Adaptation and Mitigation Rio Marker:</p> <ul style="list-style-type: none"> ■ 0 – not targeted ■ 1 – significant objective ■ 2 – principal objective | <p>For the second level of assessment, we examined a subset of the largest projects on the basis of the OECD DAC Rio markers for adaptation and mitigation. In 1998, the Rio markers on climate change mitigation were developed for use by donor countries to track aid flows that support the implementation of the UNFCCC. In 2009, the OECD DAC approved a new Rio marker to also track aid in support of climate change adaptation. Both Rio markers are designed to distinguish between projects that support those objectives as a “principal” objective versus those that support them as a “significant” objective (but may be primarily targeted at another, non-climate objective). The Rio Markers employ the following definitions:</p> <ul style="list-style-type: none"> ■ Mitigation: “[The activity] contributes to the objective of stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.” ■ Adaptation: “[The activity] intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.” <p>The OECD has published further criteria and a decision tree to promote consistency in self-reporting, which we attempted to follow (OECD 2011c). Under the Rio marker system, a project is labeled with a 2 – indicating that it “principally” targets the Rio marker if it matches the OECD criteria for eligibility and would not have been undertaken without mitigation or adaptation as an objective, a 1 – indicating that it “significantly” targets the Rio marker – if it matches the criteria for eligibility but would have been undertaken without mitigation or adaptation as an objective, and a 0 if it does not match the criteria for eligibility.</p> <p>We assigned the Rio markers based on our own assessment of the nature of the project, without regard to how the Japanese government reported the project to the OECD DAC.</p> |
| Objective: Level 3 | <p>For projects that received a 0, or whose score on the Rio Markers was not clear, we made note of any projects that would not appear to provide climate benefits, including commercially viable fossil fuel projects, road projects not associated with sustainable transportation alternatives, and transmission lines and power sector reform not linked to clean energy.</p> | |
| Activity | <ul style="list-style-type: none"> ■ Assessment, planning, strategy development ■ Research and development ■ Demonstrations ■ Deployment/Implementation ■ Capacity Building ■ Monitoring, evaluation and review | Not investigated. |

New and Additional: For the purposes of this paper, we consider new climate finance as climate finance that has increased over previous years' allocations and/or pledges and additional climate finance as that which does not divert funding from development objectives. Due to the lack of consensus on these definitions and criteria for meeting them, in this assessment we consider Japanese FSF with regard to multiple possible bases for assessment without endorsing any single one.

Considerations related to "newness":

- Does FSF for a given year exceed annual climate finance in the years prior to the FSF period?
- Does FSF recycle or duplicate previously pledged climate finance?
- Do projects or programs identified as FSF include more climate finance than they did prior to the FSF period? For example, if funding is being counted for a project that began prior to the FSF period, has it received more funding relative to what would have been given in the absence of the fast-start commitment?

Considerations related to additionality:

- Has the contributor country in question achieved 0.7% GNI for ODA?⁵⁰
- How does the change in climate finance from the pre-FSF period compare to the change in ODA over the same time frame?

See Brown et al. (2010) for further discussion.

Transparency: We evaluated official U.S. FSF reporting with regard to aggregate and project-specific metrics that facilitate interpretation and verification of climate finance information. The factors listed below are drawn in part from sources including Cipler et al. (2011), Stasio (2011), and Tirpak et al. (2010).

Aggregate information:

- Eligibility criteria (e.g., project types and countries eligible to receive FSF)
- "New and additional" criteria, as defined by the contributor country
- Objectives supported
- Channeling institutions
- Financial instruments
- Geographic distribution of countries supported
- Disbursement status

Project-specific information:

- Objectives supported
- Channeling institutions
- Financial instruments
- Recipient countries
- Recipient institutions
- Disbursement status

ANNEX 3: COMPARISON OF MOFA REPORTED DATA WITH THE DATA COMPILED IN THIS STUDY

Figure 10 compares the breakdown of FSF by financial instrument type between different information sources. It can be seen that that the breakdown based on the information gathered in this assessment is similar to that based on the aggregated figures stated in the MoFA documentation.

Figure 11 compares FSF breakdown by objective and financial instrument based on two different information sources. The breakdown results for two information sources are found to be very similar. For grant aid, "Adaptation/Mitigation" objectives are to some extent overrated. "Adaptation/Mitigation" objectives are applied to the contributions to multilateral funds, which is mostly to CIF.

These comparison results presented above indicate that the FSF data set developed in this study can represent well the trends of Japanese FSF as a whole.

Figure 10 | Comparison of FSF breakdown by financial instrument type based on two different information sources

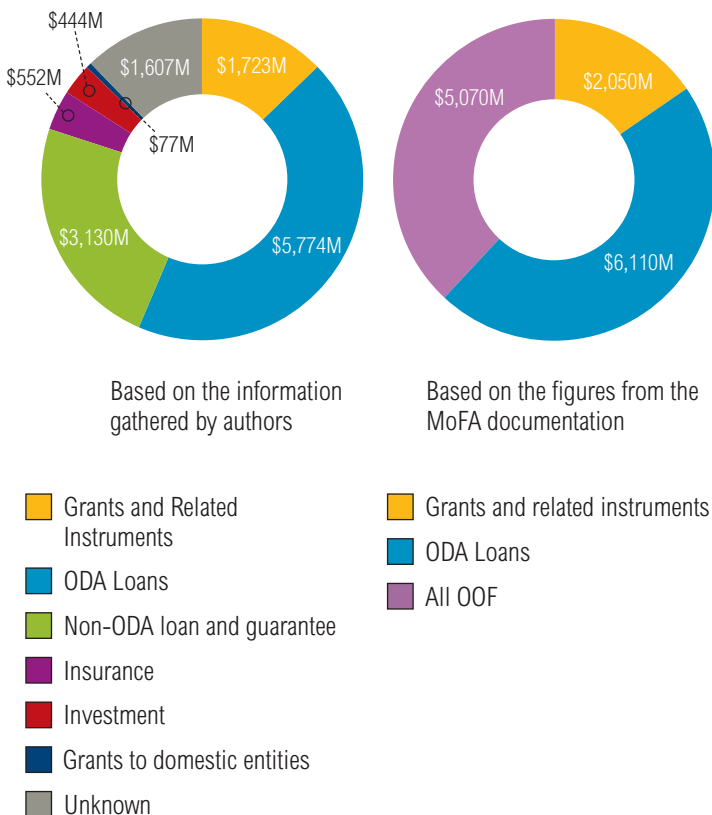
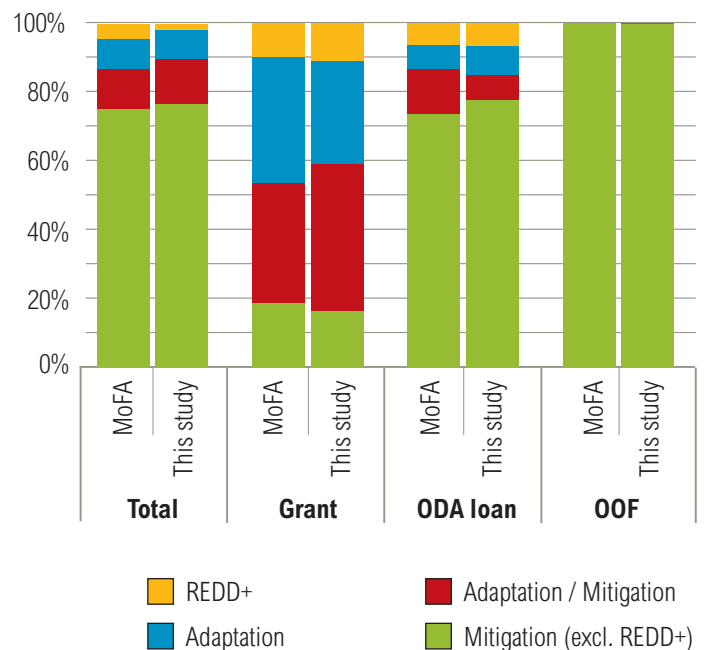


Figure 11 | Comparison of FSF breakdown by objective and financial instrument based on two different information sources



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ENDNOTES

1. Throughout this report, percentages are calculated based on the monetary value of the projects, unless otherwise noted.
2. The Japanese official documentation uses the term “implemented”. However, when the projects listed in the submissions to the UNFCCC are cross-referenced with other official information sources, the Japanese government seems to mean all FSF projects that are committed (e.g., in the form of Exchange of Notes), but not necessarily implemented on the ground. Therefore, we used the term “committed” instead of “implemented” throughout the paper.
3. The 2012 submission to the UNFCCC (Delegation of Japan, 2012) states that USD 9.6 billion of public finance is committed between 1 January 2010 and 29 February 2012. This indicates that USD 0.5 billion was committed in 2009.
4. See for example FCCC/CP/2010/7/Add.1 paragraphs I2d and II18.
5. For example, the Private Sector Initiative under the Nairobi Work Programme, and “Caring for Climate” under the UN Global Compact.
6. Buchner et al. 2011
7. For example, countries such as Germany have used revenues from Certified Emission Reduction sales to help finance their International Climate Initiative, and the government of Japan has counted private Japanese companies’ investments in climate-relevant sectors as part of its FSF reporting.
8. See, for example, section 3 of Japan’s May 2012 FSF submission to the UNFCCC, available online at [http://unfccc.int/files/cooperation_support/financial_mechanism/fast_start_finance/application/pdf/japan_fsf/feb_2012\).pdf](http://unfccc.int/files/cooperation_support/financial_mechanism/fast_start_finance/application/pdf/japan_fsf/feb_2012).pdf).
9. See section 1 of the submission cited above.
10. For example, a comparison of climate finance eligible as FSF under several different definitions of “new and additional” has been performed by Climate Analytics (Fallasch and De Marez, 2010. “New and Additional? A discussion paper on fast-start finance commitments of the Copenhagen Accord”. <http://climateanalytics.org/news/new-and-additional-fast-start-finance-commitments-copenhagen-accord>)
11. Delegation of Japan (2011).
12. Delegation of Japan (2012).
13. While there is no clarity as to how the project lists have been selected for submission, it seems to be the case that one supported project is selected for each recipient country.
14. One project is committed in December 2009 (“Project for Introduction of Clean Energy by Solar Electricity Generation System” in Uruguay.
15. MoFA (2012a).
16. For example, in the Exchange of Notes on the Climate Change Program Loan (III) to Indonesia (23 June 2010), it is described “This program loan is a part of Japan’s support for developing countries directed at dealing with climate change issues, up to 2012, which Japan announced last December”.
17. Although forest management is not necessarily REDD+ project, there are many forest management projects in the FSF. Hence, it is likely that forest management projects are included in FSF.
18. According to JICA Office for Climate Change, not all climate-related bilateral ODA that Japan report to OECD DAC based on Rio marker (Mitigation) and Adaptation marker may be counted as FSF projects (JICA, 2012). Moreover, project names in the DAC database are often abbreviated, making it difficult to cross-reference them with the information we obtained from implementing agencies.
19. Nevertheless, it is possible that our project list includes projects that are not officially counted as Japanese FSF
20. http://www.nedo.go.jp/english/introducing_mis_poli.html
21. MoFA (2012a).
22. In case of JBIC and NEXI, the level of information disclosure significantly exceeds the stipulations of a gentleman’s agreement called ‘Revised Council Recommendation On Common Approaches on the Environment And Officially Supported Export Credits (Common Approaches)’ between OECD/ The Working Party on Export Credits and Credit Guarantees (ECG) members. This agreement was established to promote a level playing field for export credit agencies and to promote coherence between export credit agencies for environmental protection and other objectives. The Common Approaches require that environmental impact information, including general project information, be made publicly available (e.g. EIA report, summary thereof) as early as possible in the review process and at least 30 calendar days before a final commitment. JBIC and NEXI, on the other hand, are required to disclose not only EIA reports but also other related reports such as Resettlement Implementation Plan and Indigenous People’s Plan about 45 calendar days before a final commitment. Also, there is derogation stipulation in the Common Approaches, while the environmental guidelines of JBIC and NEXI do not refer to derogation.
23. In case of JICA, the level of transparency at the project level, especially information disclosure before the loan/grant agreement, is often as high as the multilateral development banks. For instance, JICA’s environmental guidelines require disclosure not only of basic documents such as Environmental Impact Assessment, Resettlement Implementation Plan, and Indigenous People’s Plan, but also a preparatory survey before the loan/grant agreement. This policy is roughly in line with multilateral development banks. This high level of transparency of JICA was pointed out by Harashina (2010), who states that progress on transparency is a characteristic of JICA’s current safeguard policy.
24. Although the channeling institutions of Japanese ODA are not only JICA, this table only examines JICA, as JICA supports most of the ODA.
25. Although OOF includes NEXI etc, this table only examines JBIC, as JBIC counts for most of the OOF sources in FSF.
26. Ex-ante and ex-post evaluations are not conducted for grant projects smaller than JPY 200 million (<http://www.jica.go.jp/activities/evaluation/before.html>, <http://www.jica.go.jp/activities/evaluation/after.html>).
27. Technical assistance projects smaller than JPY 200 million are subject to simplified ex-ante evaluation and exempted from ex-post evaluation.
28. Record of Discussion is the legal agreement between JICA and recipients.

29. Category A: if the project is likely to have significant adverse impact on the environment. Category B: if potential adverse environmental impact of the project is less adverse than that of Category A projects. Category C: if the project is likely to have minimal or no adverse environmental impact. Category FI if the project satisfies all of the following: JBIC's funding of the project is provided to a financial intermediary etc.; the selection and assessment of the actual sub-projects is substantially undertaken by such an institution only after JBIC's approval of the funding and therefore the sub-projects cannot be specified prior to JBIC's approval of funding (or assessment of the project); and those sub-projects are expected to have potential impact on the environment. http://www.jbic.go.jp/en/about/environment/guideline/business/pdf/pdf_01.pdf
30. Based on informal interviews with government officials.
31. Note that "the term 'capital contribution' defines the permitted use of funds vis-à-vis 'grant contribution' and 'loan contribution', and does not mean that share capital or equity instruments have been issued to contributors in return for capital contributions received". (The World Bank Group, 2011. Clean Technology Fund. Special Purpose Financial Statements. World Bank Reference TF069011. The World Bank Group. http://fiftrustee.worldbank.org/webroot/data/CIF_CTF_FS_1.pdf)
32. Under CIF there are two Trust Funds: Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) and donor governments can make different types of contributions: (1) a grant contribution, (2) a capital contribution, and (3) a loan contribution (only for SCF with the consent of all contributors).
33. JBIC refers to it as "Andean Development Corporation", which is a literal translation of CAF (Corporación Andina de Fomento)
34. ACEF is a Japan-led single-donor fund that comprises the Clean Energy Financing Partnership Facility (CEFPF) of Asian Development Bank together with the multi-donor Clean Energy Fund and the Carbon Capture and Storage Fund (<http://www.adb.org/sites/default/files/cefpf-ar-2011.pdf>)
35. The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
36. "New energy" in the Japanese context refers to renewable energy except for large-scale hydropower, wave power and ocean thermal energy (JETRO, 2009. "Japan's Approach to New Energy – Photovoltaic Power Generation –" http://www.jetro.org/documents/green_innov/Japans_Approach_to_NE_PV_tech.pdf).
37. An exchange rate of USD 1 = JPY 115 is used.
38. With this Act, JBIC became independent of the international section of the Japan Finance Corporation (JFC).
39. JBIC (2012).
40. The JMRV guidelines do not, however, consider investment additionality i.e. whether it will be financed by private sectors for the purpose of profit-making in the absence of climate change considerations.
41. This issue is explored further in Whitley, S Japan's Private Climate Finance Support, (London: ODI, 2012)
42. MoFA (2012a).
43. Delegation of Japan (2012).
44. Based on an interview to MoFA conducted by Kiko Network (2010). Note that the currency exchange rate of USD 1 = JPY 125 had been used for the Cool Earth Partnership.
45. Fallasch and De Marez (2010).
46. Includes any projects with Rio marker 1 or 2 for climate change mitigation.
47. This information will help to assess a project against the OECD RIO marker.
48. MoFA (2012a).
49. Credit line is the maximum amount of credit to be provided to a customer.
50. Parties in the international climate negotiations have often referred to additionality in relation to an amount or percentage of Overseas Development Assistance (ODA). One baseline for additionality that has been proposed by developing countries is that of the 0.7% of Gross National Income (GNI) for ODA pledge reiterated by developed countries over the past several decades (e.g., in the Monterrey Consensus in 2002, at the World Summit on Sustainable Development in Johannesburg in 2002, and most recently at the Gleneagles G8 summit in 2005). Note, however, that the United States, along with Australia, Canada, Japan and Switzerland, have not set a timetable for the 0.7% target since the 1970 United Nations General Assembly Resolution (while the other 16 donor countries have either set a timetable or met the target). Additionally, some aid experts have argued that countries must rethink the traditional measure of ODA given the diversification of goals it is asked to pursue and the multiplication of instruments used to achieve policy objectives (Severino et al. 2009).

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ABOUT WRI

The World Resources Institute (WRI) is a global environmental and development think tank that goes beyond research to create practical ways to protect the Earth and improve people's lives. We work with governments, companies, and civil society to build practical solutions to urgent environmental challenges. WRI's transformative ideas protect the Earth and promote development because sustainability is essential to meeting human needs and fulfilling human aspirations for the future.

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ODI is Britain's leading independent think tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering, and the achievement of sustainable livelihoods in developing countries. We do this by locking together high quality applied research, practical policy advice, and policy-focused dissemination and debate. We work with partners in the public and private sectors, in both developing and developed countries. In partnership with the Heinrich Boell Foundation North America, ODI coordinates Climate Funds Update, an independent website monitoring and verifying dedicated public climate finance (<http://www.climatefundsupdate.org>).

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The Institute for Global Environmental Strategies (IGES), established under an initiative of the Japanese government in 1998, is an international research institute conducting practical and innovative research for realising sustainable development in the Asia-Pacific region. IGES research focuses on three issues of critical importance; climate change, natural resource management, and sustainable consumption and production. IGES also serves as the secretariat for various international initiatives and research networks, actively contributing to policy formulation in the form of information sharing and policy proposals.

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The Open Climate Network brings together independent research institutes and stakeholder groups to monitor countries' progress on climate change. We seek to accelerate the transition to a low-emission, climate-resilient future by providing consistent, credible information that enhances accountability both between and within countries. <http://www.openclimatenetwork.org>.