



CANADA'S FAST-START FINANCING: PROGRESS REPORT

CANADA'S FY2011/12 FAST-START FINANCING HIGHLIGHTS

Since our last report, a number of key initiatives have been identified:

- \$250 million to mobilize scaled up private sector climate change investment in Latin America and the Caribbean, through the establishment of the Canadian Climate Fund for the Private Sector at the Inter-American Development Bank;
- \$200 million to support clean technology deployment in developing countries through the Clean Technology Fund, a component of the Climate Investment Funds;
- \$27.5 million to support adaptation research for policy makers in Africa, the Americas and Asia, through Canada's International Development Research Centre;
- \$27 million to support sustainable forest management, notably through a major contribution to address deforestation in the Congo Basin, as well as further support for the Forest Carbon Partnership Facility;
- Nearly \$20 million to help smallholder farmers adapt to a changing climate, through the International Fund for Agricultural Development; and,
- \$10 million to support the mitigation of short lived climate pollutants, including a \$3 million commitment to support the new Climate and Clean Air Coalition to Reduce Short-Lived Climate and \$1.8 million to support the Global Alliance for Clean Cookstoves.

Supporting Global Action on Climate Change

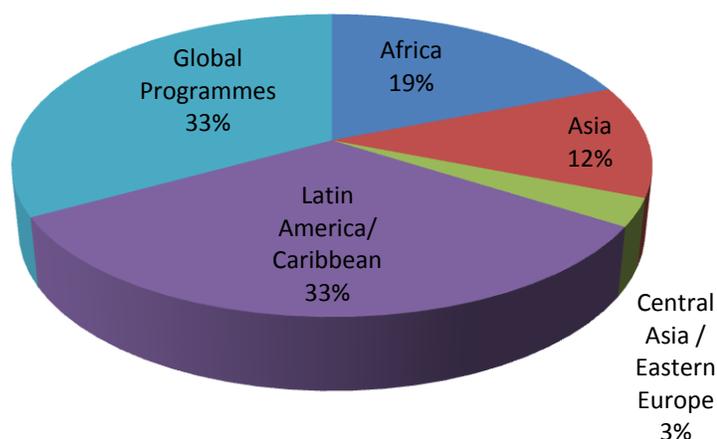
As a constructive and active Party to the United Nations Framework Convention on Climate Change (UNFCCC), Canada has significantly scaled up its climate change related support to accelerate global progress and effective action by all countries with an overall commitment of \$1.2 billion in fast-start financing support for developing countries. Canada continues to deliver on this commitment under the Copenhagen Accord, providing its fair share of new and additional fast-start financing to support climate change actions in developing countries. This report provides details on programs announced and funding delivered during Canada's 2011/12 fiscal year, the second year of fast-start delivery, as well as a progress update on key initiatives undertaken in 2010/11, Canada's first year of fast-start financing.

Meeting Our Commitment

Canada will provide its fair share of fast-start financing, namely \$1.2 billion in new and additional climate change financing during the fast-start financing period. Of this amount, over \$1 billion has already been committed to programs that will support developing countries efforts to address and adapt to climate change. So far, \$400 million was disbursed to delivery partners in year one of the fast-start period, and over \$394 million in year two. Canada will continue to work with its international partners to disburse the remaining funds during the final year of fast-start financing.

Canada's fast-start financing is new and additional to other climate change financing committed prior to Canada's association with the Copenhagen Accord.

Figure 1: Approximate Geographical Distribution of 2010/11 and 2011/12 Fast-Start Financing



The geographic distribution of Canadian fast-start financing delivered to date has been estimated (See figure 1). It is estimated that 19% will flow to Africa, 33% to Latin America and the Caribbean, 12% to Asia and 3% to developing countries in Central Asia and Eastern Europe. 33% has been allocated to global programs for which it is not possible to estimate a geographic distribution at this time.

Canada's support primarily focuses on three broad areas:

adaptation by the poorest and most vulnerable countries; clean energy; and, forests and agriculture. Canada also supports activities to help developing countries strengthen their capacity to implement their obligations under the UNFCCC and works with partner countries to develop and implement Nationally Appropriate Mitigation Actions (NAMAs).

A portion of Canadian support was delivered as concessional financing through multilateral institutions that have the reach and capability to achieve our objectives, in particular ensuring the impact and sustainability of supported projects through the mobilization of private sector investment and innovation.

Key New Initiatives

A number of initiatives and programs were developed and funded since the May 2011 report; a few are highlighted below. Table 1 at the end of this report provides a summary of all fast-start financing to date.

Climate Change Adaptation Research

Canada recognizes the importance of helping to build capacity in the poorest and most vulnerable countries to adapt to the adverse effects of climate change. In this regard, strengthening local knowledge and research capacity is a good way to help build appropriate solutions to specific local, national, or regional challenges. To this end, Canada's International Development Research Center (IDRC) used Canadian fast-start financing to strengthen research on climate change impacts through direct financial and technical support to research

institutions in developing countries. Through this programming, IDRC is partnering with more than 20 institutions across the world.

In year one, Canada contributed \$10 million to IDRC for the African Adaptation Research Centres (AARC) initiative to support seven centres of excellence across Africa to conduct research and build organizational strength on climate change adaptation. Building upon this, Canada provided an additional \$20 million in year two to IDRC for the Research Initiative on Water Resources and Climate Change Adaptation which will help build national capacity to produce scientific advice and expert assessments to guide adaptation investments and policy decisions in Latin America, the Caribbean and Asia. This funding will be delivered to institutions in those regions based on a call for proposals.

Canadian Climate Fund for the Private Sector in the Americas

Working with our partners in the Americas is a key way Canada will support effective climate change actions that will significantly reduce greenhouse gas emissions and build resilience to climate impacts.

Canada recently announced a contribution of \$250 million to establish the Canadian Climate Fund for the Private Sector in the Americas at the Inter-American Development Bank (IDB), with \$200 million delivered in year two and \$50 million to be delivered in year three of the fast start period. Canadian support will help mobilize scaled-up investment to private sector climate change projects in Latin America and the Caribbean that require financing with concessionary terms to be viable.

An innovative feature of the Fund is that it will offer up to US\$125 million of concessional financing in the currency of the local country. This will encourage the investment of local companies by protecting them from unexpected borrowing costs that might result from fluctuations in the

CLIMATE CHANGE ADAPTATION IN HAITI

Canada provided \$4.5 million in fast-start financing to Haiti in 2010/11 to help communities more effectively respond to the negative impacts of climate change, and to reduce vulnerability to natural disasters through the rehabilitation and the protection of watersheds, the promotion of sustainable management of agriculture and forestry resources, and the promotion of water conservation. The three projects in which the funds were invested in have been very successful and have contributed to the following results:

- the implementation of environmental management plans, including: the planting of 500,000 trees, the installation of 2912 cubic meters of gabion cages, the rehabilitation of 253km of shorelines and the planting of cuttings of wild herbs along 1237 km of river embankments to help slopes better withstand flood waters and prevent flooding;
- an increase in soil productivity, conservation and recovery against erosion and the reduction of risks related with natural disasters, such as floods and landslides; planting activities have contributed to increase the income of local producers and to diminish food insecurity;
- the construction of 14,650 meters of irrigation corridors to increase the amount of irrigated perimeters and agricultural production; and,
- increased awareness in communities of the potential impacts of climate change and the benefits of reforestation activities undertaken in their area.



value of the U.S. dollar relative to the local currency.

Although focusing primarily on clean and renewable energy, Canada's investments will also provide opportunities to support private sector projects in sustainable forest management, agriculture and adaptation. It is anticipated that Canada's contribution to the Fund will lever up to US\$5 billion in private sector investment, providing increased energy security, while leading to the reduction of up to 50 million tonnes of greenhouse gas emissions over the Fund's 25-year life. The IDB, the Inter-American Investment Corporation and/or the Multilateral Investment Fund will co-finance Fund projects.

Sustainable Forest Management in the Congo Basin

The Congo Basin in Central Africa is home to one-quarter of the world's tropical forests. This vast area is critical for regional and global ecological services as it acts as a carbon sink and catchment basin. The Congo Basin countries are the home to nearly 100 million people, of which some of the world's poorest people, many of whom depend on the forest for their livelihoods. As such, sustainable management of the Congo Basin is key to improving living conditions while minimizing the impact on the local and global environment.

Canada committed \$20 million to the African Development Bank as the Administrator of the Congo Basin Forest Fund (CBFF) to help local communities in forest zones secure sustainable livelihoods and reduce greenhouse gas emissions, therefore alleviating poverty while maximizing carbon storage. As the current facilitator of the Congo Basin Forest Partnership (CBFP) (2010-2012), Canada is

THE CANADA CLIMATE CHANGE FUND AT THE INTERNATIONAL FINANCE CORPORATION (IFC)

As part of Canada's commitment to support mitigation efforts, Canada provided \$292 million to IFC to support a broad portfolio of clean energy projects in developing countries. IFC uses this Fund for investments and advisory services to address private clean energy investment barriers, and serves a catalytic role to enable clean energy initiatives to move forward.

As of March 31, 2012, 62 projects were reviewed by the IFC, with 9 projects approved* (6 concessional financing and 3 grants for advisory services), representing a total of US\$56 million in project funding from the Canadian fund. This is expected to lever US\$275 million from IFC's core funding, US\$210 million from other multilateral development banks and \$117 million from private sector investors in developing countries. The 6 projects approved for Canadian concessional financing are expected to lead to a reduction or avoidance of greenhouse gas emissions equivalent to 550,000 metric tons of CO₂ per year. A further 30 projects are under development for potential consideration for support from the Canadian fund." An example of the initiatives led by the Fund is a project to support the Government of Lesotho in conducting an 18-month feasibility study for the development of two potential wind power projects through public-private partnerships. The project is expected to deliver the following results:

- provide technical assistance to assess the topography, transport, logistics and grid access of two identified sites;
- present findings to the Government along with recommendations for project implementation;
- install wind-measurement equipment in both sites to assess their generation potential and their potential to attract private sector investment; and,
- avoid GHG emissions of 29,153 metric tons/year.

* Three of these projects are awaiting approval from the IFC Board of Directors for the portion of project funding coming directly from IFC's core funding.



also providing \$2 million to the CBFP over years two and three of the fast start period to support technical assistance to working groups on climate change, forestry governance, biodiversity, and desertification in the Congo basin region.

Mitigation Actions to Address Short-Lived Climate Pollutants

Reducing emissions of short-lived climate pollutants is part of Canada's overall international climate change strategy and provides an opportunity to make near-term progress on climate change while providing air quality and health benefits. As a founding member of the Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants (CCAC), Canada is committed to delivering support to ensure its actions can lead to real results for developing countries and for the global environment.

Under its fast-start financing, Canada recently pledged \$3 million to support the new CCAC in working towards delivering global solutions to mitigate short-lived climate pollutants (SLCPs) as well as \$7 million to bilateral projects that support this objective. This funding will flow this year and next and will support projects designed to tackle emissions from short-lived climate pollutants through:

- the development and implementation of Nationally Appropriate Mitigation Actions (NAMA) in Mexico, Chile, and Colombia, in key sectors such as waste and oil and gas production, addressing notably emissions of methane, a key SLCP;
- supporting the deployment of clean cook stoves in Colombia, Mexico, Peru and Ghana, through the Global Alliance for Clean Cookstoves (GACC).

THE FOREST CARBON PARTNERSHIP FACILITY'S READINESS FUND

The Forest Carbon Partnership Facility (FCPF) is a World Bank-managed facility created in 2008 to assist developing countries in their efforts to reduce greenhouse gas emissions from deforestation and forest degradation plus improve conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+).

Canada is currently the largest contributor to the FCPF Readiness Fund, with a total fast-start financing commitment of \$40 million. Canada's contribution to the Readiness Fund supports REDD+ country participants to build national capacity to address the problem of deforestation and forest degradation by providing technical and financial assistance to countries in the development of their Readiness Plan Idea Notes (R-PINs) and their subsequent Readiness Preparation Plans (R-PPs).

Canada's investment to the FCPF Readiness Fund is on track, as the facility is providing technical and financial assistance to 35 out of 37 REDD+ country participants. Since 2008, 35 REDD+ country participants have signed Participation Agreements with the FCPF and prepared an R-PIN. The FCPF Participants' Committee, in which Canada participates, has reviewed and approved a total of 23 R-PPs, five of which are at the grant agreement stage, the value of which is between \$3.4-3.6 million.

For more information on Canada's fast-start financing and individual projects listed below, please visit www.climatechange.gc.ca

Summary Table

TABLE 1: CANADA'S FAST-START FINANCING TO DATE¹

	Project Description	Delivery partner	2010/11	2011/12	2012/13	Comments
			Millions of Canadian Dollars			
Concessional financing						
Clean Energy	Global: concessional financing to support private sector clean energy projects	<i>International Finance Corporation: Canada Climate Change Fund</i>	285.72			
	Latin America and the Caribbean: support private sector climate change projects	<i>Inter-American Development Bank: Canadian Climate Fund for the Private Sector in the Americas</i>		200.00	50.00	
Multi-Sector	Global: support the demonstration, deployment and transfer of low carbon technologies	<i>Climate Investment Funds: Clean Technology Fund</i>		100.00	100.00	
Grant financing						
Clean Energy	Global: support for advisory services to address private clean energy investment barriers	<i>International Finance Corporation: Canada Climate Change Fund</i>	5.83			
	Brazil, Chile, Colombia, Mexico and Peru: support for the development and implementation of Nationally Appropriate Mitigation Actions (NAMAs)	<i>Housing: Energy Efficiency Exporters Alliance Oil & gas: Petroleum Technology Alliance Canada Landfill gas: Center for Clean Air Policy</i>		2.05	7.40	
	Colombia, Ghana, Mexico, and Peru: support for the deployment of clean cook stoves	<i>Global Alliance for Clean Cookstoves</i>		0.60	1.20	Part of a \$1.9 million contribution, including \$1.8 million from fast-start financing to be delivered over years 2 and 3, and \$100,000 from other grant resources delivered in year 2.

¹ Reported on the basis of fiscal commitments to delivery partners. For some of the initiatives, reported figures may differ from those in Canada's Statistical Report on Financial Assistance

Adaptation	LDCs: support for projects in response to urgent adaptation needs	<i>Least Developed Country Fund</i>	20.00			
	Ethiopia: improve food security and resilience to climate change in local communities	<i>World Food Program: Managing Environmental Resources to Enable Transitions</i>	7.00			Combined with \$8 million from other international assistance resources, for a \$15 million total contribution to the World Food Program.
	Haiti: improve local response to climate change impacts, and reduce vulnerability to natural disasters	<i>Oxfam Québec, UNDP, Centre for International Studies and Cooperation</i>	4.50			
	Africa, Latin America and the Caribbean, and Asia: support climate change adaptation research centres	<i>International Development Research Centre</i>	10.00	20.00		
	Global: Increase climate resilience among small scale agricultural producers	<i>International Fund for Agricultural Development (IFAD): Adaptation for Smallholder Agriculture Program</i>		19.85		
	Africa: reduce population health vulnerability and increase resilience	<i>International Development Research Centre and World Health Organization</i>		7.50		
	Honduras: building capacity to assess infrastructure vulnerability	<i>Engineers Canada</i>		0.15	0.60	
Forests and Agriculture	Global: address deforestation and forest degradation in developing countries	<i>Forest carbon Partnership Facility: Readiness Fund</i>	40.00			
		<i>Forest Carbon Partnership Facility: Carbon Fund</i>		5.00		
	Congo Basin: implement sustainable forest management projects and promote conservation and sustainable management	<i>Congo Basin Forest Fund</i>		20.00		
		<i>Congo Basin Forest Partnership (CBFP)</i>		0.14	1.86	Canada has committed \$2 million over 2 years to the CBFP.
	Global: build capacity and demonstrate projects to effectively sequester/conservate carbon in forest and agro-ecosystems	<i>World Bank BioCarbon Plus Fund</i>	4.50			

Multi-Sector	Vietnam: support the implementation of the National Target Program on climate change	<i>Government of Vietnam</i>	3.00			Combined with \$1.45 million from other international assistance resources, for a \$4.45 million total contribution to the Government of Vietnam.
	Global: support to UNFCCC Activities	<i>UNFCCC Trust Fund for Participation</i>	1.00			
		<i>UNFCCC Supplementary Fund</i>		0.65	1.00	
	Global: incremental portion of Canada's annual contribution to the GEF	<i>Global Environment Facility</i>	18.45	18.45	18.45	\$18.5 million in each of the three years of fast-start financing will be used for the incremental portion of annual payments for Canada's contribution to the Fifth Replenishment of the GEF (2010/14), which is a total of \$238 M, representing a more than 50% increase over the Fourth Replenishment.
TOTAL			400.00	394.39	180.25	Total presented for 2012/13 does not represent the total amount to be delivered in fast-start financing. It only reflects planned disbursements to the listed projects as of May 2012.