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Lessons learned from Canada's fast-start financing

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Canada contributed \$1.2 billion in new and additional financing (over three years)

- Three priority areas:
 - adaptation by poorest and most vulnerable
 - clean energy
 - forests and agriculture
- Canada supported adaptation bilaterally and multilaterally, including \$37.5M for research centers to inform countries' response to climate change, \$20M to the LDCF and \$16.5M through a Facility at the UNDP
- Other main delivery channels included:
 - International Finance Corporation: \$271M
 - Inter-American Development Bank: \$250M
 - Asian Development Bank: \$82.4M
 - IFC Catalyst Fund : \$75M
 - Clean Technology Fund: \$200M

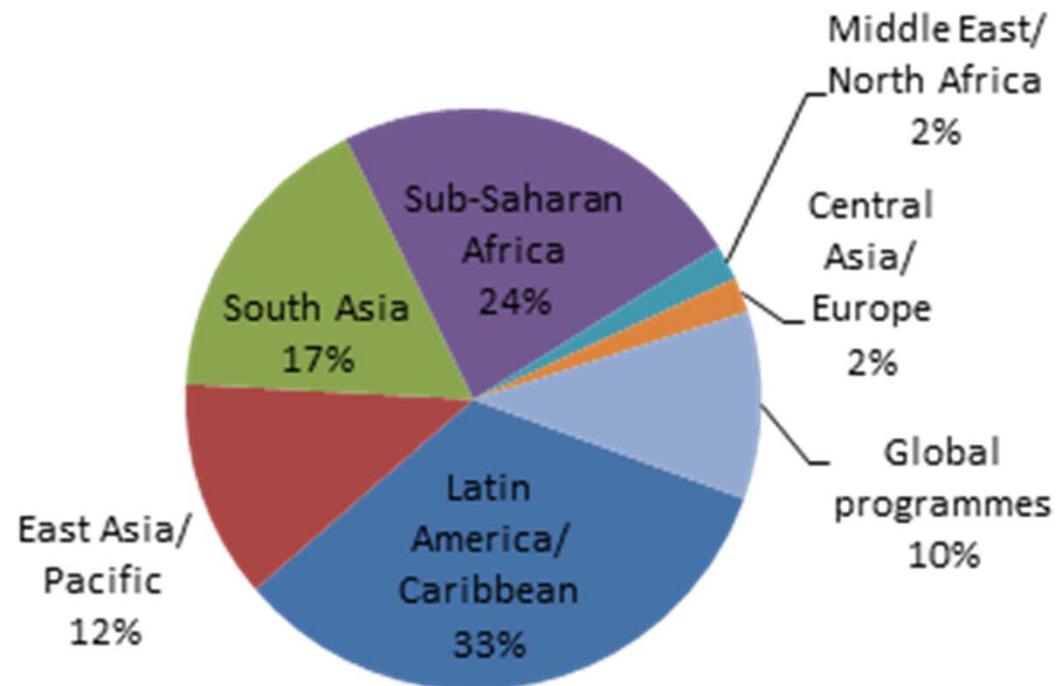
Selected examples of initiatives

- **Modern weather services for vulnerable countries through the World Meteorological Organization**
 - increases ability to adapt to a changing climate by delivering regionally tailored climate information, including early-warning system for severe weather
- **Improving food security through agriculture in Burkina Faso**
 - various projects funded by the \$23.2 million Canada Fund for African Climate Resilience are being implemented in partnership with civil organizations
- **IDB is bringing large scale solar power in Chile's Northern Desert**
 - project worth \$80M, including \$60M of commercial financing from other partners and a loan of \$20M from the Canadian fund on terms better than available on the market. If successful, similar projects could be financed on commercial terms
- **Mitigation actions in the oil and gas sector in Mexico**
 - technical cooperation and deployment of technologies established energy intensity and emission baselines to inform national planning

Geographic focus

- We are expecting Americas and Sub-Saharan Africa to be largest recipients
- Geographical distribution may evolve in time

Figure 1: Approximate Geographical Distribution of Canada's Fast-Start Financing



Fast-Start Finance: Conclusions

- Institutions are developing innovative types of financing that target country and investor needs
- There is a growing pipeline of bankable projects that can attract investment in the future
- There is strong support for transformational projects but it takes time to get things right
 - Using the appropriate instruments to address risks and barriers
 - Assembling partnerships at all phases
 - Understanding the complexity of project design, environmental assessment, and implementation

Potential work going forward

1) *Coordination among donors, and between donors and recipients helps achieve greater results*

- helps ensure effective country-driven approaches
- aligns our collective actions to maximize the impacts of public finance
- contributes to building a pipeline of “bankable projects”

2) *Developing country leadership is key: transparent and effective approaches drive financing and results*

- financing flows where there are clear policies for climate-smart growth
- transparent measurement, reporting and verification also attracts additional investments
- assisting countries to build these is an effective use of funds

3) *Public support key for achieving adaptation results, but private sector financing options should be explored as well*

- asked our multilateral development bank partners to proactively seek opportunities for effective adaptation partnerships with the private sector
- will report on these as projects now in the pipeline are finalized

Potential work going forward (cont.)

4) Addressing market failures or “buying down” risks should generally be preferred to directly subsidizing returns on investment

- instruments that fit the project are most effective
- it’s not just about providing grants or low-cost financing
- for example, “first loss” financing can unlock large projects; local currency financing can help smaller, local projects

5) Transparency will continue to be key

- creates greater demonstration effect
- supports understanding of results achieved
- strengthens accountability
- Canada seeks to model best practices by reporting transparently at project level and tracking funds levered and results achieved

For more information

www.climatechange.gc.ca

- Includes current project level information on all of Canada's climate finance, including MDB facilities funded with Canada's fast-start finance
- Can be searched using a clickable map or by key word

