Meeting the Fast Start Commitment

U.S. Climate Finance in Fiscal Year 2011

Executive Summary

Overview of U.S. Fast Start Climate Financing in Fiscal Years 2010 & 2011

In December 2009, President Obama and leaders from around the world came together in Copenhagen at the 15th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) to chart a new course in the global effort to tackle climate change. The resulting Copenhagen Accord reflected - for the first time in an international outcome - measurable, reportable and verifiable mitigation targets and actions by all major economies, and set out new institutions and approaches for adaptation, technology and finance.

The finance outcomes in Copenhagen included a collective commitment by developed countries to provide resources to developing countries approaching $30 billion in the period 2010-2012. The elements that leaders endorsed in the Copenhagen Accord, including this "fast start" finance commitment, were carried forward in decisions of the 16th Conference of the Parties in Cancun in December 2010.

Fulfilling Our Commitment

Since Copenhagen, the United States has substantially increased its investments in international climate finance. U.S. fast start finance in Fiscal Year (FY) 2011 totaled $3.1 billion, consisting of $1.8 billion of Congressionally appropriated assistance and $1.3 billion from development finance and export credit agencies. To date, the U.S. contribution to fast start finance from these sources totals $5.1 billion, including a contribution of $2.0 billion from FY 2010. Ultimately, the total U.S. contribution to fast start financing will also include funding from FY 2012.

Consistent with President Obama's Global Development Policy, we are using the full range of mechanisms – bilateral, multilateral, and private – to ensure that our climate finance is efficient, effective, and innovative; based on country-owned plans; and focused on achieving measurable results. We are focusing our bilateral efforts on those countries and regions where we have a comparative advantage and are coordinating closely with other donors. U.S. fast start finance is provided to developing countries through a variety of channels, including:

- **Congressionally appropriated climate finance:** grant-based assistance through the Global Climate Change Initiative – a whole-of-government effort to promote low emission, climate resilient economic growth around the world – and additional grant-based assistance that delivers significant climate co-benefits. This includes:
  - Bilateral, regional, and multi-regional programs, principally through the U.S. Agency for International Development (USAID) but also through the U.S. Department of State, Millennium Challenge Corporation (MCC), and other U.S. Government agencies administering such programs; and
  - Multilateral climate finance vehicles, including the Climate Investment Funds (CIFs), the Global Environment Facility (GEF), the Least Developed Countries

Fund (LDCF), and the Special Climate Change Fund (SCCF).

- **Development finance and export credit agencies:** the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank of the United States (Ex-Im) use public money to mobilize much larger sums of private investment directed at mitigation through loans, loan guarantees and insurance for the deployment of clean energy technologies in developing countries.

Also, U.S. fast start finance falls under three pillars: adaptation, clean energy, and sustainable landscapes, the last of which focuses largely on helping countries to slow, halt, and reverse deforestation. Within each of these pillars, a clear set of criteria was developed to guide the scale and focus of investments.

For adaptation, U.S. foreign assistance prioritizes countries that are highly exposed to climate change impacts, and countries that are vulnerable to climate variability and change.

For clean energy, U.S. assistance focuses on countries and sectors offering significant emission reduction potential, as well as countries that offer the potential to demonstrate leadership in sustained, large-scale deployment of clean energy. We also are investing in regional energy programs to bolster regional energy grids to support clean energy development.

For activities to promote climate objectives with respect to land use and forests, U.S. support prioritizes mitigation potential; countries with the political will to implement large-scale efforts to reduce emissions from deforestation, forest degradation, and other land-use activities; and potential for performance-based approaches.

U.S. assistance and technical agencies are also supporting a cross-cutting objective – building national capacity for Low Emission Development Strategies (LEDS). This effort is currently developing a set of tools and methodologies to support partner countries and governments in their efforts to think strategically about, plan for, and initiate implementation of economic growth with a reduced emissions trajectory.

Of the $1.8 billion in FY 2011 Congressionally appropriated assistance, $563 million is for adaptation, and $1.28 billion is for mitigation, which includes $329 million for sustainable landscapes or REDD+ related activities and $946 million for clean energy. All resources provided by the development finance and export credit agencies support mitigation activities.

Bilateral Finance

Bilateral finance is a term that applies to grant-based U.S. assistance programmed directly through multi-regional, regional and bilateral programs rather than provided as contributions to multilateral funds or organizations. For FY 2011, $1.5 billion of U.S. climate support is being provided through bilateral finance to developing countries, principally supported by USAID. This assistance is targeted to help the most vulnerable countries adapt to climate impacts and to partner with countries with significant opportunities to mitigate their emissions. Allocation decisions for each program are made by the administering U.S. federal agency.

Multilateral Finance

Multilateral channels also play an important role in U.S. climate assistance. Multilateral programs promote institutional structures governed jointly by developed and developing countries, which are needed for a coordinated, global response to climate change. Multilateral assistance leverages funding from other governments, development partners and the private sector, makes capital investment in infrastructure, provides a range of tailored financial products, and works across a wide range of countries. Similar to bilateral finance, multilateral finance is allocated for adaptation, clean energy, and sustainable landscapes activities in developing countries.

Examples of Bilateral Programs

- The United States is investing $15.7 million in a biodiversity program in central Africa that is providing climate change benefits in seven countries of the Congo Basin. The program will work to slow the rate of tropical forest and biodiversity loss by increasing institutional capacity, improving governance, expanding scientific knowledge of natural resources, and creating economic alternatives for local communities.
- In Bangladesh, the United States is providing $11 million in support of climate change adaptation and biodiversity conservation, and will expand its involvement with the conservation and better management of the Sundarbans—the largest mangrove forest in the world—aiming not only to mitigate the effects of natural disasters, but also to provide additional income for poor communities.
- In Indonesia, the United States is allocating approximately $332 million to the proposed "Green Prosperity" Project, which is a 5-year project designed to promote environmentally sustainable, low carbon economic growth consistent with its development and climate change strategies. The centerpiece of the Project is a funding facility that will support investments in two areas: (i) expansion of renewable energy; and (ii) sustainable management and use of natural resources.
- The United States is providing $4.6 million for the Africa Infrastructure Program (AIP) to provide clean energy capacity building assistance to governments in Southern Africa. The program will work with partner government agencies responsible for the development of policies, integrated resource plans, and energy sector reforms, and will result in the deployment of clean and renewable energy technologies and programs that reduce greenhouse gas emissions.
- In Guatemala, the United States is investing $7.6 million in a broad adaptation and sustainable land use program that works to build resilience to climate change impacts and reduce greenhouse gas emissions from land use change. The program will include activities to reduce risks from natural disasters and other projected climate change impacts, conserve biodiversity, and improve natural resource management.
- In six countries in Central America, the United States is providing $4 million to assist governments and nongovernmental organizations with building and harmonizing regional capacity for Reducing Emissions from Deforestation and Forest Degradation (REDD+) and, where possible, to build regional momentum by drawing lessons from Mexico's successful experience with REDD+.
- In the Andean region of South America, the United States is investing $2 million to support efforts to understand and manage glacial ice and water resources in the face of projected dramatic climate change impacts. Specific activities may include researching ice and water dynamics, supporting regional cooperation on glacier and related water management issues, and promoting awareness about the importance of modifying water resource management in response to climate change.
- In Mali, the United States is investing $3 million to reduce communities' vulnerability to climate change impacts and alleviate poverty in the process. In coordination with the Malian Department of Meteorology and other research institutions, the United States will improve the distribution of 10-day and seasonal forecasts and the generation of climate change impact data, while working with the agricultural community to integrate this information into decision-making processes.

In FY 2011, the United States delivered $235 million to the CIFs, including:

- $185 million to the Clean Technology Fund (CTF), which aims to catalyze sustained, long-term clean energy transformation in developing countries;
- $30 million to the Forest Investment Program (FIP), which provides financing for investments in forest governance and institutional capacity development, as well as measures to reduce deforestation drivers outside the forest sector;
- $10 million to the Pilot Program for Climate Resilience (PPCR), which helps highly vulnerable countries prepare for and respond to the unavoidable effects of climate change; and
- $10 million to the Scaling-Up Renewable Energy Program in Low Income Countries (SREP), which helps the poorest countries to use renewable energy to expand energy access, stimulate economic growth, and reduce vulnerability to energy shocks.

In addition, in 2011 the United States committed:

- $45 million to the GEF to support developing countries' efforts to develop and implement innovative programs in clean energy and REDD+.
- $25 million to the LDCF and $10 million to the SCCF, multilateral funds created under the UNFCCC that support financing to help developing countries adapt to the impacts of climate change.

Development Finance and Export Credit Agencies

U.S. development finance and export credit agencies play a critical role in using a core of public money to mobilize much larger sums of private investment directed at mitigation in developing countries. In FY 2011, OPIC and Ex-Im provided $1.3 billion in investments, direct loans, loan guarantees, and insurance to support the deployment of clean energy technologies.

OPIC, in particular, has implemented a substantial increase in its clean energy financing activities from FY 2010 to FY 2011. As the U.S. Government's development finance agency, OPIC contributes to U.S. development and foreign policy objectives in a way that catalyzes private sector investment.

Most Ex-Im and OPIC programs are transaction-based, meaning that financing responds to market demand for their products rather than being pre-allocated to certain countries or activities. For purposes of U.S. fast start finance, only the value of OPIC and Ex-Im commitments to these transactions is counted, not the additional private capital leveraged by these commitments. But it is worth noting that the $1.3 billion of OPIC FY 2011 financing leveraged at least an additional $2.3 billion of private investment.

Looking Ahead

Public finance will continue to play a critical role beyond the fast start period, particularly for adaptation. For this reason, the United States remains committed to providing public climate finance contributions in the years beyond 2012.

However, public finance alone will not be sufficient to address climate change. Our aim is to take a finite but growing core of public money and combine it with smart policies to substantially increase private flows into climate friendly investments in both mitigation, and where possible, adaptation. These resources will be especially important as we, together with our developed country partners, work towards our collective goal to mobilize $100 billion per year by 2020, in the context of meaningful mitigation actions and transparency on implementation. The United States has already started to lay

Examples of Multilateral Programs

- The U.S. contributed $185 million to the Clean Technology Fund (CTF) in FY 2011, in addition to the $300 million we contributed in FY 2010. Among the investments approved by the CTF was for Egypt to continue to partner with the African Development Bank (AfDB), the International Finance Corporation (IFC), and the International Bank for Reconstruction and Development (IBRD) to implement a Clean Technology Fund (CTF) investment plan that uses $300 million in concessional CTF financing to mobilize more than $1.9 billion in total investments in wind power and sustainable urban transportation.
- The U.S. contributed $10 million to the Scaling-Up Renewable Energy Program (SREP) in FY 2011. Among the investments approved by SREP was a $30 million pilot program, in partnership with the Asian Development Bank (ADB) and the World Bank, for the Maldives to develop a program of investments that will help scale-up the use of renewable energy to expand energy access, stimulate economic growth, and reduce vulnerability to energy shocks.
- The U.S. contributed $10 million to the Pilot Program for Climate Resilience (PPCR) in FY 2011. In partnership with the African Development Bank (AfDB) and the World Bank, Niger has developed a PPCR investment strategy that uses $50 million in grant funding and $60 million in concessional loans for projects in areas including water resource management, weather and climate forecasting systems, and social and economic infrastructure for high-risk climatic zones.

the foundation for private sector investment in the post fast-start period by encouraging development finance and export credit agencies, such as OPIC and Ex-Im, to invest in clean energy technologies, and by leveraging strong private sector investments across all three pillars through our multilateral programs. We will continue to work aggressively to find solutions that include both public and private finance components.

U.S. Fast Start Finance Country Fact Sheets

In addition to this overview, the United States has prepared individual fact sheets for countries receiving U.S. fast start finance for FY 2011. Each country fact sheet describes projects and programs funded in whole or in part by the U.S. government, including:

- U.S. Government programs focused exclusively in that country (e.g., bilateral assistance programs in a specific country);
- U.S. Government centrally- or regionally-based programs that benefit that country among others (e.g., activities undertaken by the USAID Regional Development Mission for Asia in a group of Asian countries.)
- Projects financed by OPIC and the Ex-Im Bank, and;
- Initiatives funded by multilateral climate funds to which the United States is a donor (e.g., programs undertaken by the CTF).

In addition, more than $400 million of Congressionally appropriated assistance is delivered through global programs. These programs' benefits are spread across many nations, and cannot be narrowly attributed to any single nation.

To ensure accurate and comprehensive reporting of this information, all U.S. Government agencies involved in fast start activities were

Examples of Global Programs

- The United States is providing $10.2 million for Enhancing Capacity for Low Emission Development Strategies (EC-LEDS), a whole-of-government program to support developing countries' efforts to pursue long-term, transformative development and accelerate sustainable, climate-resilient economic growth while slowing the growth of greenhouse gas emissions. The initiative will build LEDS-related capacities in up to 20 partner developing countries, provide targeted technical assistance – for example with greenhouse gas inventories, economic and sectoral modeling and analysis, stakeholder engagement, and forest and clean energy interventions – and build a shared global knowledge base on LEDS.
- The United States is investing $7 million in the SERVIR Regional Visualization and Monitoring System to improve capacity of government counterparts and key non-governmental stakeholders to make use of geospatial information and tools for decision-making related to climate change adaptation, land-based sequestration, and climate resilient agriculture, natural resources management, and health. SERVIR integrates satellite data, ground-based observations, and forecasts to provide information about environmental changes and to improve response to natural disasters.

asked to provide information on climate-related international programs or activities supported with FY 2011 funding. They were specifically asked not to include activities supported with FY 2010 funding and therefore included in last year's fast start finance report.

Agencies also were given specific guidelines on what constitutes climate finance and asked to indicate whether activities supported adaptation, clean energy, or sustainable landscapes. To avoid double-counting, agencies were prohibited from attributing the same funding to multiple categories.

This overview and the country-specific fact sheets together represent a snapshot of activities planned and implemented at the time of writing. In many cases, plans and activities will be further refined in consultation with partners, and any individual activity may be subject to change as circumstances evolve. While aiming to cover as many initiatives as possible, the fact sheets do not capture all activities, including all activities of U.S. Government agencies or all contributions to multilateral programs that focus in part on climate change.

Furthermore, this update only addresses U.S. fast start finance for FY 2011. In many instances, the FY 2011 finance reported for certain projects is only a portion of the ongoing funding associated with those projects, and projects undertaken with funding from any one fiscal year are typically carried out over multiple years. For example, activities undertaken with FY 2010 funds are, in most cases, ongoing. For information on FY 2010 activities, please see the FY 2010 fast start finance report, available at: www.state.gov/faststartfinance. Bilateral assistance is disbursed by each implementing U.S. Government agency according to its own financial procedures; these vary across agencies and accounts.

The FY 2011 data will continue to evolve as some projects are still being developed. As necessary, we will provide updated information. Similarly, after further review and consultation with partners, we have revised our FY 2010 contribution level from a total of $1.7 billion to a total of $2.0 billion, consisting of $1.6 billion of Congressionally appropriated assistance and $400 million from development finance and

Examples of OPIC and Ex-Im Investments

- In Kenya, OPIC committed $310 million for financing a project that will double the generating capacity of a geothermal power plant, adding new electricity to the country's grid through the use of environmentally friendly American technology, and creating both American and Kenyan jobs in the process. Geothermal power production emits negligible greenhouse gases and other air pollutants.
- In India, Ex-Im Bank authorized a loan of $84.3 million to finance solar photovoltaic modules and related equipment for the Dahanu Solar project located in the state of Rajasthan.
- In Georgia, OPIC is lending $58 million for the development, construction and operation of a 46.4 MW hydropower generation facility located on the Mtkvari River, increasing the supply of renewable electricity in the region.
- In the Kingdom of Thailand, OPIC is investing $250 million in the development, construction and initial operations of a portfolio of approximately 50 solar photovoltaic power projects, which will increase the capacity of Thailand's national grid.

export credit agencies. This increment from last year's account includes additional financing from agencies like the U.S. Trade and Development Agency, as well as a newly signed Millennium Challenge Corporation compact with the Government of Malawi, which includes $139 million of FY 2010 funds. The previous estimate of the FY 2010 U.S. contribution consisted of $1.3 billion of Congressionally appropriated assistance and $400 million from development finance and export credit agencies.

The fact sheets also include programs with significant climate co-benefits (e.g., relevant biodiversity and food security activities). Activities with climate co-benefits applicable to a certain country are included in many cases. However, this update does not capture the totality of co-benefits provided through U.S. support. For example, in 2010, the U.S. invested a total of $900 million in atmospheric, oceanic, and terrestrial systems that provide global-scale climate observations and monitoring (2011 totals have not yet been finalized). In collaboration with other countries, the United States makes this data available globally, including for countries to help plan for adaptation. This spending on global-scale climate observations and monitoring is not counted as fast start finance or included in the fact sheets for FY 2010 and FY 2011.

For multilateral programs and projects, fact sheets differentiate between the total amount provided by the multilateral fund and the U.S. contribution to that fund in FY 2011. Only the U.S. FY 2011 contribution to the fund is included in the total U.S. FY 2011 fast start finance figures. In addition, this update does not discuss activities with climate co-benefits that fall under the regular programs of multilateral institutions, such as the World Bank, regional development banks, or United Nations agencies, such as the United Nations Development Programme. However, as the United States is the largest contributor to many of these institutions, the additional climate benefits from such programs attributable to U.S. support are substantial.

The United States will continue to update information about its climate finance budgets and actual allocations through FY 2012.

For More Information

- U.S. fast start finance website: www.state.gov/faststartfinance.
- Questions about U.S. fast start finance can be sent to faststartfinance@state.gov.
- Questions about USAID climate assistance programs in specific countries should be directed to the USAID mission for that country; contact information for missions can be found at: http:// www.usaid.gov/locations/missiondirectory.html.
- For more information about OPIC programs, go to http://opic.gov/doing-business-us.
- For more information about Ex-Im programs, go to http://www.exim.gov.
- For more information on the CIFs, go to http://www.climateinvestmentfunds.org.
- For more information on the GEF, LDCF and SCCF, go to http://www.thegef.org.

www.state.gov/faststartfinance