



INNOVATIVE FINANCING FOR SUSTAINABLE DEVELOPMENT

Due to a significant SDG financing gap, the international community must mobilize all sources of financing for sustainable development, including ODA and private sector investment. While ODA will remain a key source of development financing, particularly in fragile contexts and for the most vulnerable, Canada recognizes that ODA alone is insufficient to achieve the SDGs. As such, Canada supports the 2015 Addis Ababa Action Agenda to mobilize all sources of development financing.

Recognizing the important role that ODA can play in catalyzing private investments in support of sustainable development, Canada is expanding its development financing toolkit to more effectively support private sector engagement and resource mobilization. The idea at its core is to secure more funds globally for sustainable development.

In 2017-2018, Canada continued to demonstrate international leadership on engaging the private sector on sustainable development and establishing new innovative partnerships for the SDGs. For example, Canada and Jamaica are co-leading the UN Group of Friends of SDG Financing. This group convenes financial system stakeholders and UN ambassadors to discuss ways to align private capital in support of the SDGs. Canada is also engaging with Canadian pension funds. It wants to examine how the pension funds can join together to support the SDGs, including in emerging markets such as in sub-Saharan Africa.

Canada is committed to finding new ways to ensure that every dollar invested by Global Affairs Canada unlocks significantly more impact from new and current development partners like civil society and institutional investors. This is particularly essential in areas of importance to women and girls. In future, Canada plans to work with institutional investors to support innovative financing for international development and reinforce gender equality and women's economic empowerment.

Budget 2018 further underscored Canada's commitment to innovative financing with the announcement of \$1.5 billion in new funding to support innovation and mobilize additional finance in support of the SDGs through new measures. These new measures include innovation and sovereign loans programs. In particular, the new International Assistance Innovation Program announced in Budget 2018 will give the government greater flexibility for pursuing innovative financing arrangements and partnerships.

In 2017-2018, Global Affairs Canada obtained new programming authorities to provide conditionally repayable contributions. These can be used to incentivize investments by private sector actors, such as by providing long-term "patient" capital or assuming first-loss positions in investment deals. Canada is working to further expand its toolkit to include authorities for the provision of guarantees, equity and unconditionally repayable contributions.

In addition to its policy and programming initiatives, Canada has also made significant new commitments to help support innovation in Canada's international assistance. For instance, Budget 2018 allocated \$1.5 billion over five years starting in 2018-2019 for two new programs. They are the International Assistance Innovation Program and the Sovereign Loans Program. These new programs will expand Canada's development toolkit and enhance its ability to leverage Canada's international assistance to support sustainable development, allowing the department to more effectively mobilize private sector investment in ways that support gender equality and the empowerment of women. These new measures are expected to double Canada's international assistance available through innovative tools over the next five years.

One of Canada's key international engagements on innovation is with the International Development Innovation Alliance. This is a multi-stakeholder group of funders working to advance donor practice on development innovation. Since July 2017, Canada has chaired the alliance's gender equality and innovation working group. The group works to identify and implement path-breaking solutions to advance gender equality and the empowerment of women and girls. Canada also hosted the first roundtable on development innovation of the OECD-Development Assistance Committee in Paris in November 2017. As well, Canada has proposed establishing a statistical policy marker to track innovative solutions to address poverty reduction. Several Development Assistance Committee members have agreed to pilot this policy marker.