

CLIMATE FINANCE FOR CLIMATE JUSTICE



A FRAMEWORK FOR CANADA'S \$5.3 BILLION
POST-2020 INTERNATIONAL CLIMATE FINANCE





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CONTEXT

We are at a time when the human-induced climate crisis is wreaking havoc, intensifying and exposing existing vulnerabilities, particularly for women, youth, Indigenous Peoples and other marginalized groups.

It is time to acknowledge we are not all in this together.

The level and severity of vulnerabilities are overwhelmingly higher for those in developing countries, but particularly in Small Island Developing States (SIDS) and Least Developed Countries (LDCs) than for many of us in Canada. “Inequality and power imbalances—at household, community, national and global levels—are consistently constraining the ability of food systems to deliver poverty reduction and sustainable, equitable livelihoods.”¹

The Canadian Coalition on Climate Change and Development (C4D) has welcomed Canada’s decision to double international climate finance to \$5.3 billion² for 2021-2025, and to increase funding for adaptation and a modest increase in grants. While there has been improvement on the quantity, the time has come for Canada to truly enhance the quality of its international climate support. That means improving accountability, transparency, additionality and predictability compared to the 2016-2020 pledge. The Government of Canada can do so in an inclusive and collaborative approach with all stakeholders, including Canadian civil society organizations (CSOs).

For Canada’s 2021-2025 international climate finance package, the Government should prioritize adaptation, nature-based solutions³ and feminist climate action and strive to reach the most vulnerable countries and people. In delivering its climate finance, Canada should demonstrate:

TRANSPARENCY

Count only principal purpose climate projects in the allocation of the \$5.3 billion pledge. The US\$100 billion is a climate specific pledge. We look to the Canadian Government to ensure climate is mainstreamed across different development objectives. However, to increase transparency and ensure predictability, only principal purpose climate projects should be counted against Canada’s obligations to the US\$100B commitment.

ACCESS

- **Diversify Canada’s climate finance portfolio and increase direct access.** Up to now, Canada’s reliance on special programmes created within multilateral development banks to channel climate finance has shifted our impact away from adaptation, and away from a feminist focus on the most vulnerable. To increase direct access, Canada must **commit to at least 40% of activities** (up from 9% in the 2016-2020 pledge) **to be allocated through direct bilateral channels and partnerships** and to diversify our portfolio away from multilateral channels.
- Reduce Canada’s reliance on loans in its climate finance; **increase grants to at least 75%**. This acknowledges that developing countries should not be responsible for debt resulting from climate impacts for which they bear little responsibility.
- **Earmark funds that reach most vulnerable countries and people**, particularly Small Island Developing States (SIDS) and Least Developed Countries (LDCs), consistent with development effectiveness principles and the rights of Indigenous Peoples.

- **Expand the role of Canadian CSOs** in all aspects of implementing the \$5.3 billion pledge, particularly in advancing a **focus on adaptation**. Adaptation is highly context and community specific. Canadian CSOs, with deep relationships in developing countries, are well placed to reach the most vulnerable with locally adapted climate and nature-based solutions.
- **Invest in local CSOs in developing countries**
 - In the context of shrinking civic space, Canada can improve localization in its climate finance by protecting environmental human rights defenders and supporting climate initiatives from Indigenous Peoples' organizations.

PRIORITIZE ADAPTATION

Increase adaptation finance to make up at least 50% of the total; ensure that adaptation is a significant outcome of each initiative and avoids unintended consequences for vulnerable people. There is considerable debate about the actual levels of donors' adaptation finance, including for Canada.

MAKING CANADA'S CLIMATE FINANCE TRULY FEMINIST

Expand support⁴ for principal purpose gender equality projects in Canada's climate finance. While Canada has significant experience in bringing a feminist⁵ approach to climate finance, it has almost no climate projects where gender equality is the main objective.



CLIMATE CRISIS AND PANDEMIC MAGNIFY INEQUALITY

In early August 2021, the Intergovernmental Panel on Climate Change (IPCC) released the first of three reports under its Sixth Assessment cycle focused on the physical science underlying climate change. This report is a clarion call for urgent and immediate action for a dramatic reduction and elimination of greenhouse gas emissions.

We are facing a global climate crisis that is rapidly accelerating with deepening and irreversible impacts on people, nature and ecosystems, now compounded by the global pandemic and other cascading economic and social crises.

The pandemic has amplified disturbing limits in global solidarity, including on the part of rich contributor countries, in the face of profound

vulnerabilities for hundreds of millions of people throughout the Global South. Vaccine hoarding by rich countries is having a profound impact in a world fractured by even deeper inequalities, marginalizing the health and economic welfare of billions of people.

The UN Special Rapporteur on Poverty and Human Rights, Philip Alston, fears a similar outcome for climate affected populations without renewed commitments at the highest level in developed countries to transformative action and finance. He notes developing countries would bear an estimated 75% of the costs of global climate impacts, even though the poorest half of the world's population, mainly residing in these countries, are responsible for just 10% of historical carbon emissions.

TRANSFORMATIVE CLIMATE ACTION REQUIRES CANADA'S LEADERSHIP ON CLIMATE FINANCE

Earlier this year, after intense mobilization from Canadian and international organizations, Canada announced a new commitment of \$5.36 billion in climate finance for the period 2021/22 to 2025/26. While this commitment is welcome and an important step towards meeting Canada's fair share, we call on Canada to continue growing its investments to meet its obligations and global climate finance needs and contribute \$1.8 billion annually or \$9 billion over five years in bilateral climate finance.

The specific framework for allocating these resources should be based on lessons from the



previous \$2.65 billion allocations and draw from the government's in-depth consultations⁶ in 2020 on future climate finance.

LESSONS FROM THE \$2.65 BILLION PLEDGE

Highlights from [C4D's 2021 analysis](#) of the allocation and implementation of the \$2.65 billion pledge reinforces the call for a new framework in allocating the \$5.3 billion pledge for 2021/22 to 2025/26.

TIME-LAG BETWEEN ALLOCATIONS AND DISBURSEMENTS

Over 50% of Canada's \$2.65 billion was allocated to six Special Canadian Funds in the Multilateral Development Banks (MDBs). As of July 2021, only 32% of these funds had been disbursed to final implementing partners. The urgent need for climate finance by developing country partners requires greater priority to implementing partners who have capacities to deliver climate finance on the ground effectively and quickly.

LIMITED ROLE OF CIVIL SOCIETY ORGANIZATIONS

Up to 2019/20, only 9% of Canada's climate finance was channeled through civil society organizations (CSOs), while 84% was channeled through multilateral organizations and development banks. Recent evaluations have pointed to the essential importance of engaging local actors in effective adaptation programming, including community-based organizations and local government, given the highly context-specificity of climate vulnerabilities.⁷ More scope for civil society and other local actors requires a rethinking of delivery channels, with greater use of bilateral

channels in the delivery of Canada's climate finance.

LITTLE ATTENTION TO PROJECTS WITH GENDER EQUALITY AS THE PRINCIPAL PURPOSE

Up to 2019/20, 94% of climate finance disbursements had at least one gender equality objective, which is a positive outcome of FIAP. But principal purpose gender equality projects, including those implemented by women's rights organizations, are non-existent for climate finance. Aligning Canada's climate finance with FIAP requires much greater attention to women's rights organizations leading the response to this climate crisis.

HEAVY RELIANCE ON LOANS TO DEVELOPING COUNTRY PARTNERS

Approximately 70% of the \$2.65 billion has been loan finance, with only 30% as grant finance. Out of 23 Annex II bilateral donors⁸ grant-based financing is exclusively by most of these countries in their climate finance. Of the seven that use loans, Canada's share of loans in its climate finance is the third highest. While the commitment to 40% grants is an improvement, the result will still be \$3.2 billion in loans from the new \$5.3 billion pledge, with continued significant use of the Special Funds at the MDBs, many of which stress mitigation finance, often with weak attention to gender equality issues.

SITUATING CANADA'S OBLIGATION IN THE CONTEXT OF THE US \$100 BILLION THROUGH ALL CHANNELS

The \$5.6 billion five-year pledge will be counted as part of Canada's bilateral climate finance contribution under the Paris Agreement. As the table below shows, this new pledge will be only a part of Canada's overall climate finance in support of the US\$100 billion collective pledge by Annex II countries going forward. Canada's fair share of this amount is \$4.75 billion/year⁹.

Component of US\$ 100 Billion	Annual Global Commitment (US\$)	Canadian Share @3.8% (US\$)	Canadian Share (Cdn\$ @ \$1.25)	Estimated Disbursements
Bilateral	\$37.3	\$1.4	\$1.8	\$0.8
Imputed Multilateral	\$29.5	\$1.1	\$1.4	\$0.47
Mobilized Private Sector*	\$33.2	\$1.3	\$1.55	\$0.25
Total	\$100.0	\$3.8	\$4.75	\$1.52

* The estimate of \$250 million in mobilised private sector finance in 2020 is based on the reference to US\$306 million in mobilized private finance for 2017 and 2018 (incomplete) as reported by Canada in its Fourth Biennial Report to the UNFCCC.

Based on available data, a five-year (2016 to 2020) estimate of Canada's total climate finance disbursements is \$5.7 billion via all channels. The \$2.65 billion pledge was only 42% of this \$5.7 billion. An estimated 28% of this \$5.7 billion was devoted to adaptation. In 2020, Canada allocated an estimated \$1.5 billion or 32% of our fair share.¹⁰ and continued to use Export Development Canada and FinDev Canada to mobilize and scale up private sector finance. Where the \$5.3 billion pledge is concerned, EDC and FinDev Canada should not be counted as part of Canada's bilateral public climate finance contributions.

At COP15 in Copenhagen in 2009, the international community committed to US\$100 billion in total annual international climate finance by 2020, which was then extended to 2025 at the Paris COP21 in 2015. Negotiations

for a more ambitious target for the period 2025 to 2030 - one that is better aligned to country needs for mitigation and adaptation - will be initiated at the Glasgow COP26 in November 2021.¹¹

According to the OECD DAC there is little prospect of achieving the US\$100 billion target in 2020. They have concluded that a total of only US\$79.6 billion was directed to the climate crisis in 2019 by developed countries, largely unchanged since 2018.¹²

With a few significant exceptions, Annex II developed countries have not been generous climate contributors. Canada provided only 0.007% of its Gross National Income (GNI) to international climate finance, ranking 13th in generosity among these 23 contributors. As noted above, Canada's 2020 contribution is only 32% of its fair share.

DELIVERING A PLAN FOR THE US\$100 BILLION CLIMATE FINANCE GOAL AT COP26: BUILDING TRUST AND ENGAGING WITH GLOBAL PARTNERS

International climate finance should be viewed not only as a question of justice, but also as a contribution toward the future of the planet and humanity's place on it. Providing sufficient finance for adaptation and for green energy paths is urgent if developing countries are to avoid the worst impacts of climate change.

In this light, is Canada's \$5.3 billion pledge sufficient? Does it represent our fair share contribution to the global US\$100 billion target? How well is Canada positioned to meet the global challenges of the pandemic, the climate emergency and global inequality?

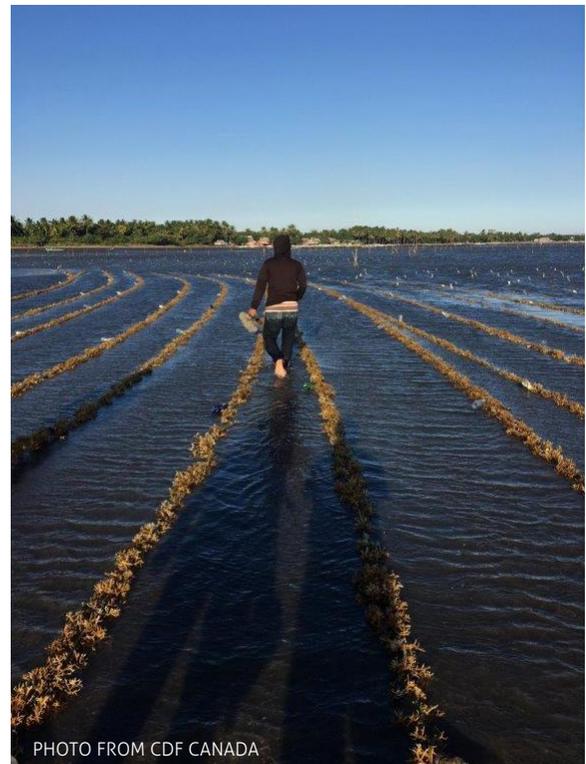
In July, the UK COP26 Presidency announced that Canada and Germany will lead a pre-COP26 process to build trust and "engage with global partners on a plan to deliver on the US\$100 billion Climate Finance goal."¹³ In taking on this challenge, the Canadian government "recognizes that urgent action is needed to address the interconnected crises of climate change and biodiversity loss, which disproportionately affect the poorest and most vulnerable."¹⁴

It is gratifying to see Canada step up to this role, to encourage fellow contributors to deliver on long-standing pledges to the Global South. But it's also a signal that Canada must be ready also to step up beyond its current pledges.

Canada's new financial pledge must result in a significant increase of adaptation finance to reach at least 50%. The success of COP26 is directly related to a successful outcome on finance. Canada and all developed countries share the responsibility of meeting the US\$100 billion pledge in full and a markedly increased pledge beyond 2025. Canada should work towards ensuring that developed countries

provide confidence, acknowledge past failures and lay out in detail their full commitment to meeting and exceeding the US\$100 billion pledge both in terms of quantity but also in its quality. Responding to the climate crisis should not have to unfairly fall on the shoulders of those who are experiencing the worst impacts of the climate, health and economic crises.

Canada is facing two significant opportunities for global leadership on climate action: its own commitment to climate finance, and its intentional leadership on the US\$100 billion delivery plan. There is no time to waste.



CITATIONS

¹ Neufeld, L.M., Huang, J. et al (2021) Advance Equitable Livelihoods: a paper on Action Track 4. A paper from the Scientific Group of the UN Food Systems Summit https://sc-fss2021.org/wp-content/uploads/2021/04/Action_Track_4_paper_Advance_Equitable_Livelihoods.pdf.

² In this brief, "\$" refers to Canadian dollars; "US\$" refers to US dollars.

³ See ICUN, Nature Based Solutions, accessed at <https://www.iucn.org/theme/nature-based-solutions>.

⁴ See <https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.

⁵ See Tomlinson, 2021, The Reality of Canada's International Climate Finance, 20121: Setting a Framework for the Allocation of Canada's \$5.3billion Post-2020 Climate Finance, pages 60-63, available at <http://aidwatchcanada.ca/wp-content/uploads/2021/10/2021-Final-Canada-Climate-Paper.pdf> for recent civil society discussions of the application of feminist principles in climate finance projects.

⁶ The government's What We Heard report from the consultations is available at: <https://www.international.gc.ca/gac-amic/publications/consultation/climate-finance-financement-climatique/report-rapport.aspx?lang=eng>.

⁷ Neil Bird, "Evaluation of Danish Support for Climate Change Adaptation in Developing Countries," Ministry of Foreign Affairs, Denmark, December 2020, pages 55-56, accessed August 2021 at https://um.dk/en/danida-en/results/eval/eval_reports/publicationdisplaypage/?publicationID=A9CC034B-9F7B-4F61-B733-6F8370EC442B.

⁸ UNFCCC Annex II donor countries consist of the OECD members which are required to provide financial resources to enable developing countries undertake emissions reduction and help adapt to climate change.

⁹ Following a 2016 Roadmap to the 2020 target by the OECD DAC, this Canadian fair share is divided \$1.8 billion for bilateral climate finance (related to the \$5.6 billion pledge), \$1.55 billion in private finance mobilized by official resources, and \$1.4 billion in multilateral finance attributed to Canada as a result of its core support for these institutions.

¹⁰ See Table Nine in [Tomlinson, 2021](#), for details on this \$1.5 billion estimate and the assumptions that are made to calculate it.

¹¹ Yamide Dagnet, et. al., "Challenging Climate Negotiations Deliver Limited Progress Toward COP26," World Resources Institute, June 21, 2021, accessed July 2021 at <https://www.wri.org/insights/challenging-climate-negotiations-deliver-limited-progress-toward-cop26>. Developing countries are not only seeking a commitment target that is additional to current levels of ODA, but also financing for "loss and damage" due to current and expected climate change events that is additional to finance for adaptation and mitigation.

¹² OECD, "Climate Finance Provided and Mobilised by Developed Countries, Aggregate trends updated with 2019 data," September 2021, Table 1.1, accessed September 2021 at <https://www.oecd-ilibrary.org/docserver/03590fb7-en.pdf?expires=1632148448&id=id&accname=guest&checksum=585601AA3EA17FC4C5F2E9C7ABE3EF4E>.

¹³ Canada selected to co-lead work to build an international climate finance action plan ahead of COP26," accessed September 2021 at <https://www.canada.ca/en/environment-climate-change/news/2021/07/canada-selected-to-co-lead-work-to-build-an-international-climate-finance-action-plan-ahead-of-cop26.html>.

¹⁴ Government of Canada, "Canadian international climate finance," Web site updated August 13, 2021, accessed September 2021 at <https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance.html>.