

# ENSURING EFFECTIVE CLIMATE FINANCE

Photo: ADRA

## Key indicators of *quality* in Canada's climate finance

In 2021, Canada announced a doubling of its climate finance to \$5.3 billion<sup>1</sup> over five years (2021/22-2025/26) from its previous commitment of \$2.65 billion (2015-21), and a new climate finance framework. While increases in quantity of climate finance are celebrated, much more is needed to meet Canada's fair share. The ability of Canada to meet its domestic priorities and international obligations greatly depends not only on the quantity but also on the *quality* of this climate finance. Quality climate finance for example, prioritizes vulnerable countries and communities, advances gender equality, adequately supports adaptation, and engages a diversity of partners. If Canada wants to meet its goals on climate finance and demonstrate global leadership in addressing the climate crisis, it needs to ensure such markers of quality are met.

### Prioritize Those Most Vulnerable

#### CANADA'S GOAL

"An objective of the \$5.3 billion climate finance commitment is to advance feminist climate action that supports the poorest and most vulnerable ... recognizing they also have an essential role to play in mitigation and adaptation"<sup>2</sup>. Canada seeks to leverage "the experience and knowledge of all stakeholders, including those of marginalized and vulnerable groups. This includes, but is not limited to, Indigenous Peoples, local grassroots organizations, women's rights organizations, and local communities. Canada will seek to amplify marginalized voices and promote opportunities for increased leadership and decision-making".

#### LESSONS FROM THE PAST

From 2015-2020, Canada did not have a specific strategy to deliver support to the most vulnerable. In Canada's \$2.65 billion pledge 22% of funding was allocated to Least Developed Countries (LDCs) while 32% went to Upper-Middle Income countries<sup>3</sup>. Small Island Developing States (SIDS) received only 5.3% of the pledge<sup>4</sup>.

<sup>1</sup> All dollars in CAD unless otherwise specified

<sup>2</sup> Government of Canada. 2022. Canada's climate finance for developing countries.

<https://www.international.gc.ca/world-monde/funding-financement/climate-developing-countries-climatique-pays-developpement.aspx>

<sup>3</sup> Allocations are based on 2021 DAC list of ODA Recipients. This list is in turn based on the World Bank's criteria for Low-Income Countries (LICs), Lower Middle-Income Countries (LMICs) and Upper Middle-Income Countries (UMICs). Among Low-Income Countries, the DAC list identifies 46 Least Developed Countries (LDCs) that have been established by the United Nations. In 2021, there were two Low-Income Countries (the Democratic Republic of Korea and Zimbabwe) that are not included among the 46 LDCs.

<https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>

<sup>4</sup> SIDS are a distinct group of developing countries at the United Nations Conference on Environment and Development in June 1992. SIDS include countries in all World Bank Income Groups. <https://www.un.org/ohrrls/content/list-sids>



Through the adoption of agronomic climate smart practices and bed-based conservation agriculture, farmers in Bayan Ulgii, Mongolia can cultivate in small areas and harvest large crops. Bayan Ulgii experiences a subarctic-influenced desert climate with long, very dry, very cold winters and short warm summers. (Photo: ADRA Canada/Frank Spangler)

Only 4.6% of total project commitments related to the \$2.65B pledge went to civil society with trusted partnerships with most affected people and areas, proven ability to reach climate vulnerable populations including women and girls, and expertise to provide locally relevant climate adaptation and mitigation solutions.

Direct funding of CSOs based in the Global South is not apparent in Canada's climate finance. Among the foreign-based CSOs directly supported by Global Affairs Canada, only one (BRAC) was based in a developing country.

It is essential that climate finance be additional in relation to other purposes for Canada's international assistance. But with no overall transparent fiscal framework for Canada's \$5.3 billion in climate finance in relation to its budgetary allocation in the International Assistance Envelope (IAE), additionality is not discernable. Meanwhile the share of climate finance in Canada's bilateral ODA (Official Development Assistance) has increased from the 2016 to 2019 average of 7.9% to 11.3% in 2020. It is therefore unclear whether Canada is pulling from other critical development needs to finance its climate commitments.

## ENSURING EFFECTIVE CLIMATE FINANCE

- \* Target vulnerable groups and countries including Least Developed Countries, Small Island Developing States, and fragile contexts, and more specifically Indigenous Peoples, women & girls, those living in poverty, and marginalized populations who lack resources to cope with disproportionate climate impacts.
- \* Increase adaptation funding through local CSOs, particularly those who are led by, and closest to, vulnerable communities disproportionately affected by climate change, and with locally relevant solutions.
- \* Set out transparent, multi-year, climate finance fiscal plans as a separate area of the International Assistance Envelope (to measure additionality).
- \* Systematically monitor, evaluate and publish how Canada's climate finance is "supporting the poorest and most vulnerable".

# Authenticate a Commitment to Achieving Gender Equality

## CANADA'S GOAL

Support and expand women's leadership and decision-making in climate action, ensuring that at least 80% of climate projects integrate gender equality, in line with the Feminist International Assistance Policy (FIAP)<sup>2</sup>.

## LESSONS FROM THE PAST

| DAC Gender Marker <sup>5</sup>   | Canada's Climate Finance, 2016/17 to 2020/21 cumulative |
|--|---|
| No gender equality objective   | 4.9%  |
| At least one gender equality objective (gender equality "significant")   | 94.7%   |
| Gender equality is the principal objective (gender equality "principal") | 0.4%  |

While Canada is a global leader in mainstreaming gender equality within its climate finance, it is not possible to assess the degree to which gender equality, as one objective among several other objectives ("significant purpose"), has any substantive impact on gender equality in project outcomes.

While almost all of Canada's \$2.65B pledge disbursements had at least one gender equality objective, less than 0.5% had gender equality as a principal objective. Such projects should actively challenge and address gender inequalities, do not lead to women's human rights violations or environmental destruction, and often fund women's rights organizations in all their diversity, especially those led by historically excluded groups who are disproportionately impacted by climate change while being at the forefront of climate action<sup>6</sup>. Furthermore, there were no projects with direct support to women's rights organizations through the \$2.65 billion pledge.

## ENSURING EFFECTIVE CLIMATE FINANCE

- \* Increase principal purpose gender equality programming in climate finance to a minimum of 15% of the \$5.3 billion pledge<sup>7</sup>.
- \* Conduct and publish independent evaluations of the extent to which gender equality is achieved through climate finance projects, focusing in particular on those where gender equality is one objective among others.
- \* Make climate funding accessible to Global South women's rights organizations, either directly or through civil society organizations in Canada, or especially in the Global South, that have mechanisms to reach these organizations.
- \* Strengthen gender analysis in the design, implementation and monitoring of climate adaptation and mitigation initiatives.

<sup>5</sup> Development Assistance Committee of the OECD. 2019. The DAC gender equality policy marker - OECD. <https://search.oecd.org/dac/gender-development/thedacgenderequalitypolicymarker.htm>

<sup>6</sup> Global Alliance for Green and Gender Action. 2021. [https://gaggaalliance.org/wp-content/uploads/2021/11/GAGGA\\_Call-to-Action\\_Nov-2021.pdf](https://gaggaalliance.org/wp-content/uploads/2021/11/GAGGA_Call-to-Action_Nov-2021.pdf)

<sup>7</sup> This goal contributes to Canada's commitments in the FIAP to allocate at least 15% of Canadian ODA to projects where gender equality and women's empowerment is the principal goal and objective.





The purpose of ACTED's THRIVE (Towards Holistic Resilience of Vulnerable Environment) training is to equip women in the sector with tools and knowledge that will help to change their farming practices to adapt to and mitigate climate change and facilitate their active participation within agricultural value chains. (Photo: ACTED)



CDF Canada Pedalling with Purpose initiative is helping co-op communities in rural Kenya with access to bicycles. This enables farmers to be more resilient to climate change while saving money on transport, lowering carbon emissions, and empowering women – who tend to carry the brunt of family responsibilities. (Photo: CDF)

## Increase Support for Adaptation

The Paris Agreement calls for countries to achieve balance in adaptation and mitigation resources.

### CANADA'S GOAL

Canada supports "helping the poorest and most vulnerable communities build resilience to the effects of climate change." Canada will allocate a minimum of 40% of funding to climate adaptation projects in its \$5.3 billion commitment<sup>2</sup>.

This pledge will result in a minimum of \$2.1 billion in project commitments for adaptation over the five years (2021/22-2025/26), up from \$840 million in the previous five-year pledge. If achieved, Canada will have increased its commitments to adaptation by more than 150% between these five-year periods.

### LESSONS FROM THE PAST

In the \$2.65 billion pledge:

- 36% of climate finance went to adaptation (64% to mitigation)
- Only 34% of adaptation commitments was directed to LDCs and SIDS
- Loans made up 54% of Canada's adaptation finance

### ENSURING EFFECTIVE CLIMATE FINANCE

- \* Increase funding to adaptation to at least 50% of the \$5.3 billion pledge.
- \* Increase grant-based funding to those most vulnerable (and substantially reduce the use of loans, which only add to debt burdens of the vulnerable countries).

Canada is among a minority of DAC providers that has contributed significantly less than 50% of its bilateral climate finance to adaptation (within the \$2.65B pledge period).

In 2018-2020, Canada ranked third of only seven DAC providers who used loans as a modality for providing climate finance, providing over three-quarters of its climate finance as loans, including the majority of its adaptation finance.



A small farmers' collective from Leyte, Philippines pictured with a harvest crop of organically cultivated eggplant and cucumber. With the support of CECI, CONCERN INC. its national partner, and the Government of Canada, the farmers were able to transition to climate smart farming practices and rebuild their communities' food security and disaster preparedness in the aftermath of Typhoon Haiyan. (Photo: CECI/Dalal Abdul-Razza)

## Engage a Diversity of Partners to Maximize Results

### CANADA'S GOAL

Canada will explore a wide range of partnerships, including with Indigenous Peoples, local communities, the private sector, civil society organizations, and academia. In addressing the needs and priorities of developing countries, Canada will leverage its established expertise and knowledge on climate change and biodiversity<sup>2</sup>.

### LESSONS FROM THE PAST

#### Allocations of the \$2.65 billion climate pledge

|   |                                     |
|---|-------------------------------------|
| Multilateral Development Banks (MDBs)                 | \$1,463M (54% of total commitments) |
| Green Climate Fund                                    | \$350M (12%)                        |
| International Fund for Agriculture Development (IFAD) | \$340M (12%)                        |
| Other Multilateral                                    | \$309M (11%)                        |
| Civil Society Organizations (CSOs)                    | \$124.4M (4.6%)                     |
| Total Multilateral                                    | \$2,462.3M (91%)                    |
| Total Bilateral                                       | \$235.9M (9%)                       |

**In 2020, Canada directed 88% of its climate finance through multilateral organizations, with 96% of this allocated to Multilateral Development Banks. The comparable figures for DAC providers as a whole were 47% and 20%.**



Six Special Funds in support of the private sector were created at the MDBs (representing over half of Canada’s \$2.65 billion climate finance pledge) totaling \$1,366M. As long-term loans funds, only 38% (\$515 million) had been allocated to final project implementers as of July, 2022.

|  |     |
|--|-----|
| Adaptation Support in the Six MDB Funds                        | 17% |
| Allocations to Least Developed Countries in the Six MDB Funds  | 15% |
| Percentage of MDB Funds Disbursed to Final Project Implementer | 38% |

Of 48 contributors in the initial resource mobilization and 34 contributors in the First Replenishment of the GCF, Canada and France are the only two to make contributions as loans.

Canada did not increase its contribution to the GCF in the first replenishment. In this round, at US\$6.09, Canada ranked 15th among 23 DAC donors in GCF generosity, measured as a per capita contribution.

### ENSURING EFFECTIVE CLIMATE FINANCE

- \* Increase diversity of climate finance partners to ensure funding is disbursed faster to project implementers on the ground, and gets to those who need it most.
- \* Increase both the total commitment and the grant-based commitment to the GCF in the second replenishment process, while continuing to reform its practices, including targeting climate vulnerable populations, reducing barriers for local access, increasing targeted gendered programming, and supporting the implementation of the Gender Action Plan.
- \* Increase support to the Adaptation Fund. As the pre-eminent Fund for adaptation finance under the UNFCCC, Canada’s contribution is very small at \$10 million (US\$8 million), relative to the 9 other bilateral donors listed by the Fund.



Gerald Ndumpa at his maize plantation in Tharaka Nithi, Kenya. Gerald participated in a training initiative on conservation agriculture by the National Council of Churches of Kenya supported by The United Church of Canada. He now passes on the knowledge to other farmers in his community. (Photo: Canadian Foodgrains Bank/Mwangi Kirubi)

# Matching Canadian Leadership with the Current Climate Landscape

With prolonged drought in the Horn of Africa, epical flooding in Pakistan, and the pillage of extreme typhoons and cyclones around the world, it is clear that we are within a climate crisis which can no longer be ignored. Urgent ramping up of efforts in mitigation and adaptation are required to avert and minimize further climate impacts, while it is increasingly evident that in some cases we are too late; additional support, beyond adaptation and mitigation finance, for losses and damages cannot be avoided. Research has estimated the costs of loss and damage will rise exponentially in the coming years, from between US\$290 to US\$580 billion by 2030 to over US\$1,000 billion by 2040<sup>8</sup>.

As a threat multiplier, climate change wrecks havoc on development goals and undermines years of progress. The world is on track to warm by about 3.2°C by the end of the century and communities across the globe are already facing the devastating impacts. While those who have contributed least to climate change are among those most impacted, no one will be excluded from the wide-spanning impacts of climate change, demonstrating our global solidarity in this. **We must act now.**



Jhulantapara is a neighbourhood along the Sutarkhali River in Khulna District Bangladesh, north of the Sundarbans mangrove forest, where many houses are built to be disassembled and built again if there is river erosion. Makeshift toilets above the riverbank lead to human waste falling directly into the river creating high risk of contamination and disease with changing water levels such as those seen here following Cyclone Amphan. (Photo: WaterAid/DRIK/Habibul Haque)

<sup>8</sup> Integrated Assessment for Identifying Climate Finance Needs for Loss and Damage: A Critical Review | SpringerLink. 2018. [https://link.springer.com/chapter/10.1007/978-3-319-72026-5\\_14](https://link.springer.com/chapter/10.1007/978-3-319-72026-5_14)

## Canada can respond now by:

### SUPPORTING INCREASES TO ADAPTATION FINANCE

- \* Support a COP27 decision text on increasing adaptation finance beyond a doubling with a clear roadmap on how it will be achieved and reported.
- \* Contribute to operationalizing of the Global Goal on Adaptation by ensuring representation of vulnerable and marginalized groups, strengthening the capacity of developing countries and encouraging other parties to develop programming aligned with the scale and urgency of current needs.
- \* Demonstrate this priority through committing new and additional funds to adaptation, including a commitment to deliver 50% of finance to adaptation.

### ADVANCING SUPPORT TO ADDRESS LOSS AND DAMAGE

- \* Bridge developed and developing countries positions to make progress toward increasing support for L&D, additional to mitigation and adaptation.
- \* Support the need for new and additional, grant-based funding to address L&D, through existing and new and innovative sources that are needs-based, adequate, and predictable.
- \* Present Canada's vision for a mechanism to address L&D, which is gender-responsive and locally driven.
- \* Demonstrate a commitment to addressing L&D through committing new and additional, public funds.

### SCALING UP CANADA'S CLIMATE FINANCE TO ALIGN WITH CURRENT NEEDS

- \* Increase climate finance to \$4 billion USD annually (through bilateral, multilateral, and private sector channels), or \$1.8 billion USD specifically in annual bilateral funds, to meet our fair share of the \$100 billion USD commitment (relative to our economy as compared to other developed country donors)<sup>9</sup>.
- \* Commit to scaling up Canada's climate finance commitment in line with the New Collective Quantified Goal, post-2025, in a way that is needs-based and meets the quality markers outlined in this report.
- \* Stop investments in fossil fuels which only magnifies the problem and future funding needs. Canada should be providing incentives for renewables and energy efficiency in a manner that is consistent with our goals on biodiversity and ecosystems' resilience.

Canada allocated a mere 2 cents out of every \$100 of its wealth to principal purpose international climate finance in 2020.



<sup>9</sup> Of the US\$100 billion, developed countries are expected to contribute US\$66.8 billion annually (with US\$37.3 billion as bilateral provider funds and US\$29.5 billion from multilateral resources, with US\$33.2 billion to be mobilized from the private sector). @3.8% of US\$100 billion global commitment (Canada's average GNI relative to other providers and \$1.25 US dollar exchange rate), Canada's fair share of the US\$37.3 billion is US\$1.4 billion or Cdn\$1.8 billion.





Virginia Manuela Pop Pop is a young producer, who actively participates in her Cooperative Santa Monica, R.L. She supports her parents in the cleaning of the family's cardamom plantations, implementing or putting into practice what she learned in the SOCODEVI Field Schools. (Photo: SOCODEVI)

The Canadian Coalition on Climate Change and Development (C4D) is a coalition of international development and environmental organizations, consultants, and think-tanks working together to share knowledge and take concerted action to address climate change. Each year C4D commissions AidWatch Canada to report on the latest statistics of Canada's climate finance. This policy brief is based on those findings. The full report can be found at [www.aidwatchcanada.ca/canadian-climate-finance](http://www.aidwatchcanada.ca/canadian-climate-finance)



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