

ELEVATING AMBITION IN CANADA'S POST-2020 INTERNATIONAL CLIMATE FINANCE

Fulfilling global commitments and fostering development

A POLICY BRIEF BY THE CANADIAN COALITION ON CLIMATE CHANGE AND DEVELOPMENT

Never before has the need for increased ambition on climate change been clearer. The Intergovernmental Panel on Climate Change (IPCC) predicts tremendous risks to livelihoods, biodiversity, human and ecosystem health, infrastructure, water resources and food systems due to additional stresses on land¹. In the poorest and most marginalized communities, these impacts are already making life more precarious for millions of people. In 2018, world hunger and malnutrition rose for the third year in a row, severely impacting people in rainfall-dependent agrarian countries². According to the International Red Cross, an estimated 108 million people were affected by climate-related humanitarian emergencies in 2018, with the number likely to increase by more than 50% in the next decade³. Climate-related events could push the total number of permanently displaced people as high as 250 million between now and 2050⁴ and will likely increase existing inequalities and vulnerabilities between men and women⁵. The UN Special Rapporteur on Poverty and Human Rights recently pointed to the potential for “climate apartheid”, to underline the fact that one’s ability to cope with climate change increasingly hinges on whether one has the resources to withstand and recover from the impacts. The impacts of climate change exacerbate global inequality and poverty.

Under the Paris Agreement on climate change, wealthy countries committed to deliver US\$100 billion annually in climate finance to support the adaptation and mitigation

needs of developing countries. In 2015, Canada pledged \$2.65 billion⁶ over five years, reaching \$800 million annually by 2020-2021. In 2020, as Canada prepares to release its next five-year climate finance package, Canada needs to ensure investments are commensurate with its relative wealth and global responsibility and aligned with existing commitments to domestic and international policies, which prioritize gender equality, adaptation, and support for the most vulnerable.

In this context, the Canadian Coalition on Climate Change and Development (C4D) makes the following recommendations for Canada’s post-2020 international climate finance:

Scale up climate finance and contribute Canada’s fair share

Based on its relative Gross National Income (comparing DAC providers’ GNI), Canada’s fair share of the US\$100 billion target is \$4 billion annually in commitments overall, or Cdn\$1.8 billion (3.8%)⁷ annually in bilateral climate finance. Canada’s commitment of \$800 million in annual international climate finance by 2020/21 is less than half this fair share.

Canada should allocate \$6.76 billion in principal purpose climate finance as its fair share in the five-year period between 2021/22 and 2025/26.

¹ IPCC, Special Report on Climate Change and Land. 2019. <https://www.ipcc.ch/report/srcccl/> And IPCC Special Report on the Ocean and Cryosphere in a Changing Climate. 2019. <https://www.ipcc.ch/srocc/home/>

² FAO, The State of Food Security in the World. 2019. <http://www.fao.org/3/ca5249en/ca5249en.pdf>

³ Where not otherwise noted, information included in this brief can be found in a broader report commissioned by C4D, “The Reality of Canada’s International Climate Finance”, 2019. <http://aidwatchcanada.ca/wp-content/uploads/2019/10/Final-October-2019-Climate-Report.pdf>

⁴ CARE Denmark, Fleeing Climate Change. 2016. https://careclimatechange.org/wpcontent/uploads/2019/06/FleeingClimateChange_report.pdf

⁵ IPCC, Climate Change 2014: Impacts, Adaptation and Vulnerability. 2014. https://www.ipcc.ch/site/assets/uploads/2018/03/ar5_wgII_spm_en1.pdf

⁶ Dollar figures refer to Canadian dollars unless otherwise specified

⁷ 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. US\$1.4 billion or Cdn\$1.8 billion is Canada’s fair share of the US\$37.3 billion.

A pathway to reach Canada's fair share of bilateral climate finance by 2025

Percentage Increase (millions of Canadian dollars)

2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Five Year Total
\$800 (no change scenario)	\$800	\$800	\$800	\$800	\$800	\$4,000
\$800 (fair-share scenario)	\$945	\$1,115	\$1,315	\$1,550	\$1,830	\$6,755
Fair Share Increase	18%	18%	18%	18%	18%	

Demonstrate accountability for new and additional funding, while meeting the 0.7% target for ODA

At the COP15 in Copenhagen in 2009, providers agreed to “scaled-up, new and additional, predictable funding” for developing countries. From this perspective, climate finance should be additional to existing Official Development Assistance (ODA), and not divert funds from other aid priorities. Without a firm target for ODA it is difficult to determine what is additional climate finance. **Canada should establish a specific and transparent line item for principal purpose climate finance in the International Assistance Envelope (IAE) and at a minimum increase the IAE proportionate to the amount of climate finance being considered.**

Increase adaptation alongside mitigation, as equally urgent

The Paris Agreement states that donors “should aim to achieve a balance between adaptation and mitigation”. This has been widely interpreted, including by the Green Climate Fund (the pre-eminent financing instrument for the UNFCCC) to mean a 50/50 split between adaptation and mitigation. The IPCC has outlined the urgency for limiting global warming to 1.5 degrees above pre-industrial levels⁸. The United Nations Environment Program estimates that US\$140 to US\$300 billion will be needed annually by 2030 for adaptation alone, highlighting a growing adaptation funding gap. Furthermore, the Global Commission on Adaptation has shown the immense financial benefits that can be attained by investing in adaptation, demonstrating that investments of \$1.8 trillion globally in just five areas from 2020 to 2030 could generate \$7.1 trillion in total net benefits⁹. Canada's share of finance to adaptation is currently 34% of project commitments¹⁰. **Canada should dedicate at least**

50% of its international climate finance to principal purpose adaptation, with loss and damage allocations additional to this target as a distinct commitment.

Give priority to gender equality, aligned with the Feminist International Assistance Policy

Women and girls are particularly vulnerable to climate change due to pre-existing gender inequalities and socially-defined roles. The Canadian government has made gender equality a focus of its current mandate, through its commitment to the Paris Agreement, the Gender Action Plan, and its FIAP. This commitment could be safeguarded through the creation of a dedicated mechanism for Women's Climate Adaptation, which prioritizes support for women's environmental organizations and movements, and women small-scale farmers and their organizations¹¹. Canada should assess and learn from current climate projects where gender equality is mainstreamed and ensure climate finance modalities appropriately



Cooking with clean burning cookstove technology (Photo: World Vision, Ethiopia)

⁸ Intergovernmental Panel on Climate Change (IPCC). Special Report: Global Warming of 1.5 degrees. 2019. <https://www.ipcc.ch/sr15/>

⁹ Global Commission on Adaptation. Adapt Now. 2019. <https://gca.org/global-commission-on-adaptation/report>.

¹⁰ This is based on the list of projects approved within the \$2.65 billion commitment. The calculation takes into account several adjustments for projects coded to adaptation with multilateral development banks, with very few adaptation outcomes.

¹¹ CAD. “Canada's Climate Finance: Delivering on Climate Change and Development Goals”. 2018. www.climatechangeanddev.ca



Small-scale farmers in Columbia are learning sustainable farming practices that allow them to adapt cocoa production to the changing climate. (Photo: Socodevi)

integrate gender equality objectives. **Additionally, Canada should commit at least 15%¹² of its international climate finance towards projects that target gender equality as a principal purpose.**

Targeted support for the most vulnerable through concessional climate finance

Globally, the poorest and most vulnerable are the hardest hit by climate change (for which they have little responsibility) and have the least resources to mitigate and adapt to them. All climate finance modalities, but particularly those related to adaptation, should consider and respond to the urgent needs of the most vulnerable (least developed countries, small-island developing states, poor and marginalized populations), consistent with development effectiveness principles. Given Canada's stated priority to address climate adaptation and mitigation in least developed countries (LDCs), small-island developing states (SIDS) and for the most vulnerable people, it is a worrying trend that grants continue to make up less than half of Canada's climate finance. **Canada's commitment of official resources should only involve concessional public financing where the full purpose is climate adaptation/mitigation or loss and damage related to climate change, with all loans reported at the grant equivalency value (including those allocated through special funds at Multilateral Development Banks).**

Maintaining accountability through our finance channels

Engaging the private sector in climate finance is crucial to achieving Canada's commitments and meeting the needs of those most impacted by climate change. However, blended finance to date is fraught with concerns regarding coherence with development effectiveness principles, its true additionality in private sector finance, the lack of transparency for blended finance disbursements (through multilateral channels), and limited analysis of its actual impact for development and ability to achieve adaptation outcomes. Blended finance mechanisms with the private sector are a predominant modality for delivering Canada's international climate finance. These mainly occur through the special funds at the multilateral development banks (MDBs) and the Green Climate Fund. Given Canada's commitment on the GCF Board, the centrality of the Fund as the pre-eminent financing instrument for the UNFCCC and the Paris Agreement, and the strong inclusion of developing country partners on the Board, Canada's first replenishment to the GCF fell short. **Canada should review and substantially increase its first replenishment to the GCF in addition to conducting regular evaluations on the impact of its blended and innovative finance for climate goals, utilizing the GPEDC's Kampala Principles and the Tri Hita Karana Roadmap to inform future initiatives.**

¹² 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.


A REPORT CARD

On Canada's International Climate Finance





	Canada's Track Record: Changes since the previous "Fast Start" commitment (2010/11-2012/13)	The Current Status of Canada's Climate Finance (\$2.65 billion commitment, 2016/17-2020/21)	Components of an Ambitious Climate Finance Package
CONTRIBUTING OUR FAIR SHARE			
Climate finance commitment based on Canada's percentage GNI of DAC country providers (3.8%)	<ul style="list-style-type: none"> Canada's \$2.65 billion over 5 years represents a doubling of the fast start amount of \$1.2B 	<ul style="list-style-type: none"> Canada's current commitment of \$800 million in annual climate finance by 2020/21 is less than half of our fair share of US\$100 billion target¹³ 	<ul style="list-style-type: none"> Canada commits to reaching its fair share of \$1.8 billion annually in commitments by 2025/26 with at least commensurate annual increases in the International Assistance Envelope
ADDRESSING ADDITIONALITY			
Commitment to climate finance is "new and additional" to Official Development Assistance (ODA)	<ul style="list-style-type: none"> No change in how Canada counts "new and additional" 	<ul style="list-style-type: none"> Canada defines its baseline for "additional" as the level of climate finance prior to the 2009 <i>Copenhagen Accord</i> The share of climate finance in ODA is growing (at 6.1% in 2017/18) 	<ul style="list-style-type: none"> Canada has a specific line item for principal purpose climate finance within the IAE Canada publishes future (increased) targets for ODA
COMMITMENT TO ADAPTATION			
% split between mitigation and adaptation	<ul style="list-style-type: none"> There has been a 15% increase in finance for principal purpose adaptation 	<ul style="list-style-type: none"> 34% of climate finance is devoted to principal purpose adaptation Lack of distinct allocations for loss and damage 	<ul style="list-style-type: none"> Canada adopts a 50/50 split between adaptation and mitigation in its international climate finance A distinct amount of finance is allocated to loss and damage (additional to the 50% finance for adaptation)

¹³ Of the US\$100 billion, developed countries are expected to contribute US\$66.8 billion annually (with US\$37.3 billion as bilateral funds and US\$29.5 billion from multilateral resources), with US\$33.2 billion to be mobilized from the private sector. US\$1.4 billion or Cdn\$1.8 billion is Canada's fair share of the US\$37.3 billion.


	Changes since "Fast Start"	Current Status	Ambitious Climate Finance Package
Commitment in domestic policies and international agreements	<ul style="list-style-type: none"> • Canada has become a convener to the Global Commission on Adaptation's "Adapt Now" report • Canada has affirmed the importance of supporting adaptation in its FIAP • Canada has signed onto the Paris Agreement which strives for a balance between adaptation and mitigation funding 	<ul style="list-style-type: none"> • While Canada has stated support for increased climate finance for adaptation it has not set a target for a 50/50 split for adaptation/mitigation 	<ul style="list-style-type: none"> • Canada supports the long-term financial sustainability of the Adaptation Fund through strong engagement on the board and support for a replenishment process • Canada adheres to GCA recommendations including demonstrated progress on the GCA's "action tracks"⁹

PRIORITIZING GENDER EQUALITY



Commitment in domestic policies and international agreements	<ul style="list-style-type: none"> • Canada has developed the FIAP and an action plan for climate and the environment • Canada has played a leading role in the development of UNFCCC's Gender Action Plan • Canada has played a leading role in the development of the GCF's Gender Action Plan 	<ul style="list-style-type: none"> • There are no measures in place to assess FIAP goals in climate projects 	<ul style="list-style-type: none"> • Canada's FIAP Action Area Policy includes ongoing mechanisms for assessment of gender equality mainstreaming in climate projects • Canada has a dedicated mechanism to prioritize women's adaptation • Canada is a leader in promoting gender equality within UNFCCC processes and their implementation
Gender mainstreaming in projects	<ul style="list-style-type: none"> • There has been a 34% increase in gender equality mainstreaming in project disbursements 	<ul style="list-style-type: none"> • 92% of project disbursements have mainstreamed gender equality¹⁴ 	<ul style="list-style-type: none"> • Gender is mainstreamed in 95%¹⁵ of Canada's climate finance

¹⁴ This includes cumulative disbursements for 2016/17 and 2017/18 plus the disbursement for the GCF in 2015/16.


¹⁵ This includes 80% to significant purpose gender equality and 15% to principal purpose gender equality for all bilateral international climate finance. (5% remains unallocated.)

	Changes since "Fast Start"	Current Status	Ambitious Climate Finance Package
Principal purpose gender equality projects	<ul style="list-style-type: none"> There has been a >7% decline in project disbursements with gender equality as the principal purpose 	<ul style="list-style-type: none"> <1% of project disbursements have gender equality as a principal purpose 	<ul style="list-style-type: none"> Canada prioritizes climate projects with gender equality as the principal purpose At least 15% of bilateral disbursements have gender equality as a principal purpose¹²

MAXIMIZE CONCESSIONAL FINANCE

Percentage of finance in form of loans vs. grants	<ul style="list-style-type: none"> There has been an estimated 14% decrease in the use of loans since the Fast Start period 	<ul style="list-style-type: none"> At least 60% of Canada's current pledge will be delivered as loans or other non-grant modalities (grants make up less than half of Canada's climate finance) Unlike most donors to the GCF, Canada provided more than a third of its initial pledge in the form of a repayable loan; they have not stated if the first replenishment will be provided as a grant 	<ul style="list-style-type: none"> Official resources only involve concessional public financing Grants make up the full amount of the GCF replenishment
Loans reported at grant equivalency	<ul style="list-style-type: none"> Canada has not distinguished grant equivalency of loans through MDBs 	<ul style="list-style-type: none"> Canada does not report grant equivalency of all its loans to the UNFCCC 	<ul style="list-style-type: none"> All loans are reported at the grant equivalency value including those made through Canada's special funds at the MDBs



FOCUS ON THOSE MOST VULNERABLE

Percentage of climate finance to Least Developed Countries (LDCs) & Lower-Middle Income Countries (LMICs)	<ul style="list-style-type: none"> There has been a 12% increase in finance for LDCs¹⁶ There has been an 11% decrease in finance for Upper-Middle Income Countries There has been a 6% increase in finance to Sub-Saharan African & 3% increase to Pacific countries 	<ul style="list-style-type: none"> 45% of Canada's current commitment goes to LDCs and LMICs Canada gives the same amount of climate finance to LDCs as to UMICs Less than 1/4 of Canada's finance goes to Africa and the Pacific¹⁶ 	<ul style="list-style-type: none"> Canada's increased finance for adaptation, and prioritizing of Sub-Saharan Africa, LDCs and SIDs ensures support for the most vulnerable
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¹⁶ Discounting global and regional allocations (as desegregated data is unavailable).

	Changes since "Fast Start"	Current Status	Ambitious Climate Finance Package
Percentage of climate finance to Small Island Developing States (SIDS)	<ul style="list-style-type: none"> *Information unavailable due to lack of transparency in MDB funds 	<ul style="list-style-type: none"> 32% of bilateral finance goes to SIDS (and primarily to Haiti) *information unavailable on the flow of multilateral funds to SIDS Overall the Pacific region received 4% of current commitments 	<ul style="list-style-type: none"> Canada's increased finance for adaptation, and prioritizing of Sub-Saharan Africa, LDCs and SIDs ensures support for the most vulnerable

UTILIZE EFFECTIVE FUNDING CHANNELS

Diversified funding channels that are demonstrably effective in addressing greatest vulnerability	<ul style="list-style-type: none"> Canada has increasingly directed its funds through multilaterals and blended finance which have a poor record of supporting those most vulnerable Canada's contribution to the GCF has declined in real terms since its initial contribution 	<ul style="list-style-type: none"> 60% of Canada's climate finance is allocated through MDBs, diverting finance from LDCs and LMICs Though the GCF is the pre-eminent financing instrument for the UNFCCC, with strong inclusion of developing country partners on the Board, Canada has not increased its pledge in the first replenishment 	<ul style="list-style-type: none"> Canada has a diverse climate finance funding portfolio, which represents its fair share of bilateral contributions and channels remaining funds on proven effectiveness of reaching the most vulnerable Canada has revised and increased its first replenishment to the GCF reflecting its fair share of \$750 million (based on GNI relative to other provider countries)¹⁷
Transparency of disbursements	<ul style="list-style-type: none"> There has been no significant change 	<ul style="list-style-type: none"> There is limited transparency on blended finance projects including on additionality of private sector mobilization in MDBs.¹⁸ There is good transparency finance flowing through FinDev Canada 	<ul style="list-style-type: none"> MDB funding channels measure and disseminate results including development outcomes (including adaptation and gender equality) and additional resources mobilized by blended finance.
Coherence with development effectiveness principles	<ul style="list-style-type: none"> DAC donors, including Canada, adopted the OECD's <i>Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals</i> Canada supported the <i>Tri Hita Karana Roadmap</i> Canada published <i>Canadian Approach to Innovative Finance for Sustainable Development</i> 	<ul style="list-style-type: none"> Canada's <i>Approach</i> document endorses the OECD Principles, but not Tri Hita Karana Roadmap. Though endorsed the Kampala Principles are not referenced in relation to Canada's blended finance initiatives. There is a lack of transparency on how funding channels are meeting development outcomes 	<ul style="list-style-type: none"> Functioning framework (utilizing Kampala Principles and the Tri Hita Karana Roadmap) in place for assessing actual contributions of funding channels, including blended finance, to development and the SDGs, including adaptation and mitigation

¹⁷ Canada's fair share of the GCF contribution is 3.8% based on its GNI relative to other provider countries

¹⁸ On average blending institutions have mobilized only 75 cents in private sector finance for every dollar of public investment, which dropped to 37 cents for low-income countries. S. Attridge and L. Engen, "Blended Finance in the Poorest Countries: The need for a better approach," ODI, April 2019, accessed August 2019 at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12666.pdf>

Making the Case for Greater Ambition

This is the time to show leadership on ambition.

Citizens worldwide are calling on their governments for climate action and they can no longer be ignored. Young people, increasingly concerned about the world they will inherit, have been especially vocal, calling for bold action by those in power. Pressure is mounting in the international community, from those who recognize the opportunity of low emission development strategies and from those who can no longer afford to bear the brunt of the impacts. Climate change impacts us all. With the deadline for the US\$100 billion global climate finance commitment upon us, the time for action is now.

Canada has made bold statements about the importance of addressing climate change. Now is the time to match those statements with ambition and action. The Government's *Feminist International Assistance Policy (FIAP)*, released in June 2017, sets out priorities for Canada's international climate finance including helping the poorest and most vulnerable adapt and targeting women. Its follow-up *Action Area Policy: Environment and Climate Action* (2019) highlights a human rights-based approach to environment and climate action. Canada has committed to a more ambitious 2030 emissions reduction goal and net-zero emissions by 2050 and is a convener to the Global Commission on Adaptation's recent

Adapt Now report¹⁹, which calls for scaling up climate finance and increasing support for adaptation. These efforts support broader commitments towards fulfilling the Paris Agreement and achieving the Sustainable Development Goals. **Canada's post-2020 international climate finance package must demonstrate ambition to reach Canada's fair-share of international climate finance and uphold key international and Canadian principles and commitments.**

Strengthening Canada's climate finance is necessary and achievable. This policy brief outlines key recommendations for a more ambitious climate finance package. The Government of Quebec has demonstrated how Canada can take leadership on scaling up climate finance and supporting adaptation¹⁹. There are several approaches Canada can take in allocating its climate finance to meet its commitments and deliver on the key principles outlined in this brief. C4D portrays one such example of a 'fair share climate finance portfolio'²⁰. Fortunately, warnings of dire impacts are matched with known solutions to minimize adverse effects and realize a better way forward; One where we can all prosper in a sustainable manner and where we can meet our commitments to our children, our citizens, and the global community.



The above organizations urge the Government of Canada to show leadership and increase ambition on climate change in its post-2020 international climate finance package, through adopting the recommendations in this brief.

¹⁹ See Quebec's International Climate Cooperation Program.

<https://unfccc.int/climate-action/momentum-for-change/financing-for-climate-friendly-investment/Quebec-International-Climate-Cooperation-Program>

²⁰ The Reality of Canada's International Climate Finance, 2019. <http://aidwatchcanada.ca/wp-content/uploads/2019/10/Final-October-2019-Climate-Report.pdf>