November 2, 2018

To: The House of Commons Standing Committee on Environment and Sustainable Development

C4D (the Canadian Coalition on Climate Change and Development) would like to thank The Committee for the opportunity to submit a written brief on its "Clean Growth and Climate Change in Canada: International Leadership" study.

As a coalition of Canadian international development and environmental organizations working together to share knowledge and take concerted action to address climate change, we are keenly aware of the significance of Canada's international climate-finance commitments in impacting programming and policies that have far-reaching social and economic consequences on the lives of millions around the world. Without urgent and ambitious action, climate change threatens to push an additional 100 million people into extreme poverty by 2030[1], eroding hard-won development gains. Climate change is truly a global issue which requires a heroic response. It is thus an opportunity, -for Canada to show international leadership, in supporting those impacted today while creating a more sustainable future for those to come, and also a challenge, -to adequately influence global practices before the cumulative impacts of climate change limit our ability to determine our collective future.

In 2015, Parties to the UNFCCC (United Nations Convention on Climate Change) signed on to the Paris Agreement, to undertake ambitious efforts to combat climate change and adapt to its effects. Developed countries reaffirmed their pledge to reach USD 100 billion for international climate finance per year by 2020. Canada committed 2.65 billion over five years, ramping up to CAD 800 million annually by 2020 in contribution to this. While notable progress has been made on Canada's response to climate change, Canada could do better to demonstrate leadership and ensure its investments are having the greatest impact.

C4D suggests the following recommendations and strategies for getting there:

[1] Shock Waves: Managing the Impacts of Climate Change on Poverty, World Bank Group, 2016. https://openknowledge.worldbank.org/bitstream/handle/10986/22787/9781464806735.pdf

Recommendation 1: The Government of Canada should commit to ensuring that half of our international climate finance helps people adapt to the changes that are already affecting them and that these initiatives effectively contribute to gender equality.

The impacts of climate change are already affecting millions of people around the world. The Food and Agriculture Organization reports that climate variability and extremes are one of the leading causes of rising rates of global hunger, as countries with high levels of exposures to climate shocks have more than double the number of undernourished people than those without,[2] and are a driver of potentially vast migration[3].

Women and girls are particularly vulnerable to climate change due to their dependence on local natural resources, social and cultural conditions that influence access to resources and division of labour, as well as lack of participation in decision-making. According to the Intergovernmental Panel on Climate Change[4], the effects of climate variability and extreme weather events will likely increase existing inequalities and vulnerabilities between men and women.

The Paris Agreement states that donors "should aim to achieve a balance between adaptation and mitigation", and that adaptation efforts should be gender-responsive[5]. Canada played a significant role in the adoption of a gender action plan at COP23 in 2017. Canada's Feminist International Assistance Policy seeks for "Measures to support women's leadership and decision-making in climate change mitigation and adaptation efforts" and commits to allocating 15% of bilateral disbursements to projects where gender equality is the principal purpose[6].

While Canada has an approximate 51%/49% balance between mitigation and adaptation purposes in the current allocation of its $2.65 billion commitment, this includes two large multilateral private sector funds coded as 50% adaptation, but which have historically allocated little to adaptation. If this historical performance is accounted for, Canada's ratio changes to a 70%/30% bias toward mitigation[i]. Even at 44% adaptation reported in 2016 disbursements, (most of which pre-date allocations relating to the $2.65 billion pledge), Canada's adaptation investments as a proportion of its overall climate finance put it 10th among 23 donors, 8 of which are giving over 50% of finance to helping others adapt. Canada should continue to build upon an improving record of adaptation finance as a critical niche contribution to the unavoidable impacts of climate change.

With respect to gender equality, data available to date, shows Canada has integrated gender equality as one objective among several in 74% of its adaptation disbursements in 2016, compared to 47% for all DAC donors. But a strong indicator of a strategic approach to this mainstreaming of gender equality is the financing of projects where gender equality is the principal purpose. In this regard none of Canada's climate change projects have made gender equality the primary objective, and there is no

[2] The State of Food Security and Nutrition in the World, FAO, 2018, pg. 21-13. http://www.fao.org/3/CA1354EN/ca1354en.pdf
[3] The State of Food and Agriculture, FAO, 2018, pg. 11. http://www.fao.org/3/I9549EN/i9549en.pdf
[4] Global Warming of 1.5 Degrees, IPCC, 2018. http://www.ipcc.ch/report/sr15/
[5] Paris Agreement, UNFCCC, 2015, Article 9.4 & Article 7.5. https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
[6] Canada's Feminist International Assistance Policy, Government of Canada, 2017. http://international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/policy-politique.aspx?lang=eng&_ga=2.12567731.682038127.1541108334-1935365704.1512771637#5.4

comprehensive strategy on how Canada will integrate gender equality and women's empowerment in climate its action.

How Canada can show leadership:

- Canada should commit at least 50% of Canada's international climate finance towards principal purpose adaptation initiatives, and at least 15% of these projects should have gender equality as a primary objective
- Canada should establish a dedicated mechanism for women's climate adaptation, prioritizing support for women's environmental organizations and movements, and women small-scale farmers and their organizations and ensure the full operationalization of the fund in 2020
- Canada should establish a clear strategy on how it will integrate its gender equality objectives into its climate finance commitments

Recommendation 2: The Government of Canada should contribute its fair share to climate finance, based on the size of our economy relative to the economy of other donors.

Without urgent and ambitious action, climate change threatens to push an additional 100 million people into extreme poverty by 2030, eroding hard-won development gains. In fact, climate change is expected to have widespread impacts on health, food supply, human security, economic growth and poverty reduction[7], significantly challenging out ability to live up to global commitments including the Sustainable Development Goals.

In 2015, when the Paris Agreement was adopted, countries decided "to scale up the level of financial support, with a concrete road map to achieve the goal of jointly providing USD 100 billion annually by 2020" [8]. Such collective effort was also joined by an agreement to set a new collective goal from a baseline of USD 100 billion per year in 2025. Based on projections made by the OECD DAC Secretariat for climate finance, USD 37.3 billion of this is to come from bilateral contributions. Furthermore, the Paris Agreement states that these commitments represent a progression over time[9].

Canada has committed to deliver CAD 800 million annually in sustained international climate finance by 2020/21, which would represent a doubling of Canada's current commitment of $2.65 billion over a five-year period. Though commendable, Canada's fair share of the $100 billion, based on its Gross National Income (GNI) as a share of total Development Assistance Committee (DAC) donor GNI, is 3.9% or CAD 1.9 billion annually of bilateral funds. This is more than double the current commitment of $800 million annually.

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[7] Global Warming of 1.5 Degrees, IPCC, 2018. http://www.ipcc.ch/report/sr15/
[8] Climate Action Now. Summary for Policymakers 2016, UNFCCC, 2016, pg. 3. http://unfccc.int/resource/climateaction2020/media/1281/unfccc_spm_2016.pdf
[9] Paris Agreement, UNFCCC, 2015, Article 3. https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Furthermore, Canada's generosity in climate finance (measured by its share of GNI) is weak in comparison to other DAC donor countries. In 2016, the most recent date for which climate finance disbursements are available, Canada ranked 16th out of 23 DAC providers.

Currently, Canada's concessional climate finance is included in its Official Development Assistance (ODA). Therefore, as Canada moves toward achieving the $800 million per year target by 2020, there are concerns that climate finance will take up a larger share of Canadian ODA and therefore take away from other important needs that aid addresses. Indeed, in 2014/15, climate finance's share of Real ODA[ii] was a low of 1.6% and has since grown to nearly 6% in 2016/17. If Canadian ODA were to remain at existing levels (2018/19), this share will grow to 15% by 2020/21.

How Canada can show leadership:

- Canada should publish a clear plan to scale-up its international climate finance toward achieving its fair share of $1.9 billion annually for the post-2020 period
- In doing so, Canada should announce a budgetary plan that ramps up its international finance for ODA and sets aside new and additional funds for climate finance
- Canada should articulate how it intends to achieve its commitment of CAD 800 million per year in 2020/2021, with adequate and sustainable financing that is aligned with Canada's Feminist International Assistance Policy, specifically for adaptation projects targeting women

Recommendation 3: The Government of Canada should commit to ensuring our international climate finance for adaptation is targeting and reaching those who are the poorest and most vulnerable and diversify the channels and modalities through which our climate finance is dispersed.

The world's poorest 1 billion people are responsible for just 3% of global greenhouse gas emissions yet they absorb up to 80% of the costs of climate change, including those through food insecurity, loss and damage, compromised livelihoods and instability[10]. Donor efficacy in reaching the poorest and most vulnerable relates to how climate finance is targeted as well as which channels and modalities (grants vs. loans) are used for delivering the funds.

The Paris Agreement acknowledges the importance of providing grant-based resources for adaptation, particularly to those most vulnerable in developing countries. As part of this collective effort, Canada pledged to deliver its CAD 2.65 billion commitment in ways which help "the poorest and most vulnerable, transition to low-carbon economies and build climate resilience"[11].

Canada's record for targeting Least Developed Countries (LDCs), Small-Island Developing States (SIDS) and Low-Income Countries (LICs) is positive at an average of 52% of its climate finance disbursements for adaptation (2010 to 2016)[iii]. However, multilateral channels, including blended finance mechanisms at Multilateral Development Banks, are implementing 87% of Canada's Paris commitments to date. Five new multilateral projects[iv] have made up almost three-quarters (73%) of these commitments, with the

[10] Climate Change and Development in Three Charts, Center for Global Development, 2015. https://www.cgdev.org/blog/climate-change-and-development-three-charts
[11] International Climate Financing, Government of Canada, 2017. https://climate-change.canada.ca/finance/

three new Canada Funds housed in Multilateral Development Banks making up 43% of the current allocations from the CAD 2.65 billion pledge. Compared to other donor countries, Canada delivered four times more of its climate change finance through Multilateral Development Banks (MDBs) in 2016.

While the majority of these new funds are yet to be dispersed, historical experience shows that Canadian climate investments through Multilateral Development Banks tend to go towards mitigation-focused projects in upper middle-income countries, (not toward the urgent adaptation needs of the poorest and most vulnerable communities), and they fail to incorporate gender equality. Up to 2016, almost 80% of projects funded through the Canada Funds in the MDBs were in middle-income countries, with only 6 of the 62 projects supported by these Funds going to adaptation.

Furthermore, of the known allocations for the CAN 2.65 billion pledge, over 50% of Canada's climate finance will be disbursed through loans. This large share of loans runs counter to the Paris commitment for grant-based resources, and loans have the potential to exacerbate debt in low income countries. Developing countries should not be responsible for paying developed countries to adapt or mitigate to the impacts of climate change, for which they are largely not responsible.

Canadian and international Civil Society Organizations (CSOs) have better track records at helping those most vulnerable adapt to climate change. Compared to other DAC providers, Canada has a very low reliance on the experience of CSOs to reach vulnerable populations in its climate finance.

How Canada can show leadership:

- Canada should commit to contributing 100% of its climate finance for adaptation to Sub-Saharan Africa, other LDCs, LICs and LMICs through grants
- Canada should diversify the channels through which climate finance is delivered to ensure disbursements are based on the ability of these channels to reach the poorest and most vulnerable, support adaptation measures, and achieve gender equality
- Canada should strengthen its commitments to funding channels with proven support to the poorest and most vulnerable, including the Green Climate Fund which aims to achieve a 50:50 balance between its investments in mitigation and adaptation, with at least 50% of adaptation funding going to vulnerable countries, including LDCs, SIDS and African States

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[i] Analysis in this report comes from C4D's commissioned study of "The Reality of Canada's International Climate Finance, 2018" completed by Aid Watch Canada available at: http://aidwatchcanada.ca/wp-content/uploads/2018/10/Final-October-Climate-Report.pdf.

[ii] "Real ODA" does not include in-donor costs for refugees, students and debt cancellation

[iii] There is currently not enough information to predict the country breakdown for the CAD 2.65 billion pledge.

[iviv] The five multilateral projects include: Green Climate Fund, Canada--IFC Renewal Energy Program for Africa, Canada--IFC Blended Climate Finance Program, ADB Canada Climate Fund for the Private Sector, and the Global Environment Facility.