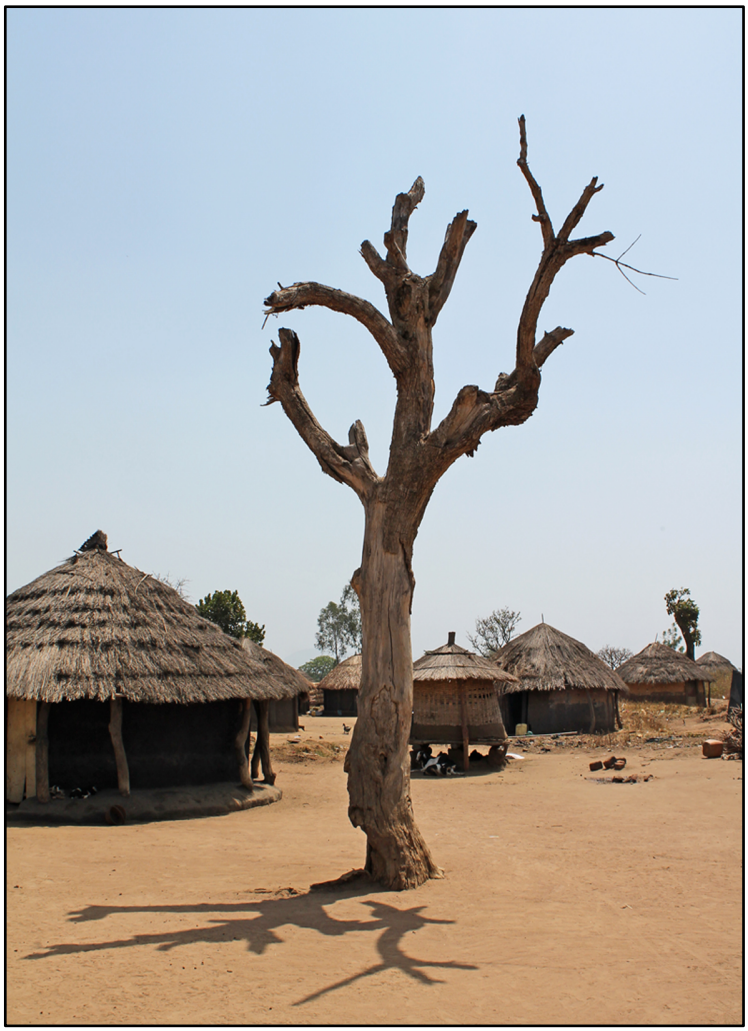
The Reality of Canada's International Climate Finance, 2018



A Report on key trends in allocating Canada's $2.65 billion Paris commitment

Prepared for
The Canadian Coalition on Climate Change & Development (C4D)
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AidWatch Canada is a Canadian not-for-profit social justice organization, producing and disseminating independent research and analysis on aid and development cooperation trends, policies and practices. AidWatch Canada promotes development cooperation that enables people living in poverty, vulnerable and discriminated populations to claim their human rights. Brian Tomlinson is the Executive Director of AidWatch Canada. He can be contacted at brian.t.tomlinson@gmail.com.

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Photo Credit: Angélica Dale

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The 2015 *Paris Agreement* on mitigating and adapting to climate change was achieved in part due to the recognition of the importance of international climate finance as an obligation of developed countries. These countries have been responsible historically for industrial processes that have led to climate change. Canada is one of the signatories to this landmark agreement.

The Canadian Government made a significant pledge of $2.65 billion for climate finance in support of the Paris Agreement. In doing so, it described climate change as "one of the greatest challenges facing humanity with implications for health, agriculture, economy, trade, and infrastructure globally."

The next crucial step is implementation. What is the Government's overall strategy in terms of the disbursement of these funds? Is Canada living up to climate finance commitments for its fair share of global climate finance with new and additional finance? How is the $2.65 billion commitment being deployed? What has been the balance between mitigation and adaptation efforts? Is its climate finance addressing the needs of the poorest and most vulnerable people and countries? How will Canada's climate finance contribute to the Government's priorities for gender equality and women's empowerment? These are some of the questions addressed in this Report.

There are no clear public and accessible policies that give direction for these questions. Rather, the Report attempts to piece together an analysis of Canada's climate finance through a close examination of project announcements, financial reports, and data from sources both within and outside Canada.

The government approves and reports on a series of largely unrelated projects that cumulatively meet one-off international pledges -- $1.2 billion for the two-year Fast Start Finance from 2010 to 2012, and the $2.65 billion over five years, 2015/16 to 2020/21, with a large hiatus in financing between pledges.

Is Canada delivering its fair share of climate finance?

Canada is committed to deliver $800 million in sustained annual climate finance by 2020/21 and to sustain this level of finance annually to 2025/26. At $212 million in principal purpose climate-related disbursements in 2016/17, this Report reveals that Canada was only a quarter of the way in ramping up its annual disbursements to reach this target.

The Government announced in Budget 2017 very modest increases in Official Development Assistance (ODA) for 2017/18 and 2018/19. But these increases alone will not be able to make up a major financing gap to realize the $800 million in annual disbursements for climate purposes.

At $800 million in annual climate finance in 2020/21, Canada will still be a long way from its "fair share" of international responsibilities for climate adaptation and mitigation. This Report suggests that an annual commitment of $1.9 billion, more than double the current $800 million commitment, is Canada's

fair share of the US$100 billion pledged at COP 15 in Copenhagen in 2009 (based on its relative weight of its GNI among developed countries). Nevertheless, at $800 million per year, over five years, this allocation would be 50% greater than the current $2.65 billion commitment between 2016 and 2020.

Where does Canada stand among its peers as a generous provider in climate finance? The answer is near the bottom, at 16th in 2016 among 23 OECD providers, down from 11th position in the Fast Start period (2010 to 2012).

There is no doubt that the international community must massively accelerate more financing in a post-2020 UNFCCC agreement, if the world is to escape the worst impacts of global warming that spirals out of control. For adaptation alone the United Nations Environment Program estimates that US$140 to US$300 billion will be needed annually by 2030. Currently providers have committed to US$100 billion annually by 2020 from all sources and for both mitigation and adaptation.

Yet there are no apparent plans that indicate Canada's willingness to improve upon this weak record in overall climate finance. The opportunity exists for Canada to play a leadership role in current UNFCCC negotiations on implementing the 2015 Paris Agreement. Appropriate levels of finance from developed countries are often central to building trust and confidence in reaching complex compromises on crucial issues.

What is required is a major new and increased finance pledge from Canada to be implemented in the post-2020 period that is proportionate to this country's wealth, capacities and global responsibilities. Such a pledge should be accompanied by a budgetary plan that ramps up Canada's international finance for both ODA and climate finance in order to avoid taking resources away from ODA for other purposes, not least its commitment to gender equality-focused programming.

The Report acknowledges recent progress in some areas:

- The $2.65 billion pledge over five years represents **a 30% improvement on Canada's Fast Start commitment** of $1.2 billion over two years. For the most part, it has been allocated as "new" finance. (Section 4)

- Using the mechanism of "supplementary estimates" as a proxy for **"additional" finance**, the Report calculates that over the period 2010/11 to 2016/17, 95% of principal purpose climate finance disbursements have been allocated through supplementary estimates. The use of supplementary estimates is welcome. But the displacement of potentially new resources for other purposes in ODA, which are equally underfunded, remains a deep and growing concern going forward as more climate finance is required. (Section 4)

- While still falling substantially short of a 50/50 target, **the proportion of climate finance dedicated to adaptation**, which is urgently needed for vulnerable people and countries, has improved since the Fast Start period (2010-2012). The Report calculates that the share of adaptation has moved from 16% in the Fast Start period, to an estimated 33% in allocations to

date for the $2.65 billion pledge. Canada's ranking among 23 DAC providers was 10th in 2016, but with 8 of these providers exceeding a 50% target in their adaptation finance.

- The Report points tentatively to **improvements in allocations to Sub-Saharan Africa, LDCs and Small Island Developing States**, particularly for adaptation finance, but these calculations by necessity exclude large disbursements for regional and global programs. The heavy emphasis on MDBs as delivery mechanisms for a very large proportion of the $2.65 billion pledge may undercut this geographic emphasis in Canada's bilateral climate finance.

The findings of the Report point to the need for substantial shifts in the modalities for delivering Canada's climate finance, which in turn could produce greater progress on key issues such as the use of grants over loans, working with civil society as actors in principal purpose climate finance, and developing a strong emphasis on issues affecting gender equality and women's empowerment.

- There appears to be an **over-reliance on Multilateral Development Banks** (MDBs) in the delivery of Canada climate finance, compared to DAC providers as a whole. More than 43% of current allocations of the $2.65 billion are through MDBs. This reliance is four times the overall experience of DAC providers. (Section 7)

- The **use of loans over grants**, inherent in MDB finance and in Canada's contribution to the Green Climate Fund, is in tension with the historical obligation of developed countries to bear the cost of mitigating and adapting to climate finance. The increased use of loans in climate finance also potentially exacerbates the vulnerability of some developing countries to the re-emergence of a debt crisis. More than 50% of Canada's current allocations of the $2.65 billion have been in the form of loans. This use of loans puts Canada among the worst offenders of loans in climate finance – France, Japan and Germany. (Section 8)

- The high reliance on MDBs creates **a strong bias towards mitigation finance** and significantly limits the achievement of a 50/50 balance for adaptation finance. (Sections 6 and 7)

- The track record of the Asia Development Bank (ADB) and the International Finance Corporation (IFC) in **strengthening gender equality** in their own climate finance is very weak. The over-reliance on Canada's private sector oriented mechanisms at these MDBs makes it challenging to achieve the important feminist goals of Canada's International Assistance Policy. (Section 12)

- Compared to other DAC providers Canada has **a very low reliance on the experience of CSOs** to reach vulnerable populations in its climate finance. Canada has virtually no principal purpose climate finance projects or programs implemented by CSOs. CSOs themselves need to ramp up more programs that put adaptation (and mitigation) as the primary objective. To date, almost all of CSO efforts in climate finance are within projects where this objective is one among several (significant purpose projects) and are mainly directed to adaptation.[1] There are no assessments to determine the degree to which these climate objectives actually influence the implementation of the project, whether it be by CSOs or other development actors.

The overarching conclusion is a mixed record. The Government can do better in balancing adaptation and mitigation in allocating the $2.65 billion pledge. It can also take account of a greater diversity of channels to achieve objective in climate finance that give priority to the needs of vulnerable populations and meet its gender equality targets. It must join with like-minded countries in providing the leadership for newly ambitious goals in climate finance for the post-2020 period. In demonstrating this leadership, Canada should consult and develop a comprehensive strategy for ways that its climate finance for mitigation and adaptation rises to meet the urgency of fulfilling the *Paris Agreement* and *Agenda 2030*.

The Reality of Canada's International Climate Finance: Key trends in allocating the $2.65 billion Paris commitment[2]

1. Introduction

In December 2015, the international community, under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), adopted the *Paris Agreement*. This document reaffirms the commitment of developed countries to climate finance as a critical element in global climate negotiations. Climate finance is an obligation of developed countries, which have historically been responsible for industrial processes that have led to climate change. Climate finance is also essential if developing countries are to take mitigating action and protect themselves from profound climate change impacts, both now and in the future. The *Paris Agreement* builds on the climate change commitments of the United Nations' *Agenda 2030 for Sustainable Development*.[3]

As part of its commitment to the Paris Agreement, the Government of Canada has promised to address what it describes as "one of the greatest challenges facing humanity with implications for health, agriculture, economy, trade, and infrastructure globally."[4]

Prior to the 2015 UNFCCC Conference of the Parties (COP21) in Paris, Prime Minister Trudeau announced that Canada would contribute "$2.65 billion over five years [2015 – 2020] in international climate finance to support the efforts and actions of the poorest and most vulnerable countries to adapt to the adverse effects of climate change."[5] He further noted that this support "will be delivered through a variety of channels and instruments for critical efforts, such as helping developing countries adapt to climate change, deploying renewable energy technologies, and managing risks related to severe weather events." According to this announcement Canada will be disbursing at least $800 million in public international climate finance per year by 2020/21.[i]

The Government's *Feminist International Assistance Policy (FIAP)*, released in June 2017, re-confirmed the $2.65 billion pledge to climate finance. In keeping with its focus on women's rights and empowerment, the FIAP calls for "measures to support women's leadership and decision-making in climate change mitigation and adaptation efforts, resilience-building and sustainable natural resource management" as well as "employment and business opportunities for women in the renewable energy sector."[6]

Unfortunately, the FIAP stops short of specific plans on how these feminist objectives will be realized. Nevertheless, the $2.65 billion pledge demonstrates Canada's commitment to the target established at COP15 in Copenhagen in 2009, for developed countries to mobilize US$100 billion per year by 2020 for climate action in developing countries. This target was reaffirmed in the Paris Agreement in 2016, and subsequently developed countries also set out a Roadmap to US$100 Billion.

[i] Please note that all dollar amounts are in Canadian dollars unless otherwise stated.

The purpose of this Report is to examine allocations of the $2.65 billion against international norms and benchmarks for climate finance. It will do so through an assessment of climate finance disbursements to date. It follows from the October 2017 Benchmark Report prepared for C4D that analyzed Canada's climate finance up to 2015, including the Fast Start Finance from 2010 to 2012.[7]

The 2017 Benchmark Report critically reviews Canada's climate finance through a comparison of the 2010 – 2012 period (Fast Start Initiative commitment period) with the 2013 - 2015 period (prior to the $2.65 billion announcement). The intention of the 2017 Report was both to establish benchmarks for future assessments of Canada's climate finance and, where possible, to compare other providers (donors) of climate finance.[ii]

This Report picks up from the results of this 2017 analysis. The overall purpose for this current research, as established by C4D, is:

- To track, report and assess the allocation of Canadian climate financing for 2016/17, and in particular, for the $2.65 billion commitment;
- To provide a comparison with other OECD provider countries' commitments, when the data is available;
- To identify options for how the Canadian government could best target Canadian climate financing to reach the most vulnerable countries and communities; and
- To conduct an in-depth analysis of the emphasis of civil society as actors in climate finance, through a broad statistical profile of climate finance going to CSOs, including sectors, countries of focus, as well as the nature of projects.

This Report hopes to inform and complement C4D's advocacy and communications tools. The author is grateful for the opportunity to explore the various issues in Canada's climate finance and for the support and helpful comments provided by C4D co-chairs and members. While commissioned by C4D, the author takes full responsibility for the analysis as well as any errors or omissions.

Any analysis of climate finance is fraught with methodological issues and is based on assumptions that can differ amongst the different researchers undertaking this work. For an overview of the approach taken in this Report readers are directed to Section Two as well as the **Annex One**'s methodological notes. Together these provide a detailed explanation of the assumptions that have informed the Report's statistical foundation and analysis.

[ii] It is important to highlight that the outcomes of the analysis in this current Report for the years covered by the Benchmark study may differ somewhat from those set out in the 2017 Report. These differences are due to a refinement of the methodology (the 30% rule outlined below) and the use of the provider perspective for the DAC climate database, which does not provide data for 2010 to 2012. The recipient perspective, which does provide data for these years, was used for the Benchmark study, as it was important to analyze these earlier years for comparisons of Canada's Fast Start Finance to other providers. (See Annex One for a description of the provider and recipient perspectives for DAC data.)

2. Notes on Methodology and Accountability in Climate Finance

An analysis of international climate finance that is based on government sources is fraught with uncertainty and complexities because of different levels of transparency and the many methodological challenges. Among these challenges, the proliferation of channels for the disbursement of climate finance is hard to track. These channels range from specialized multilateral funds within the UNFCCC (the Green Climate Fund), to the Global Environment Facility or International Financial Institutions (the World Bank), bilateral development financial institutions (such as Canada's newly created FinDev Canada), as well as multiple bilateral aid flows (Global Affairs Canada (GAC) and other departments).[8] Many of these channels give priority to catalyzing private finance for climate mitigation and adaptation, which has its own complexities.

Compounding this fractured institutional reality is the fact that there is no agreed upon definition of climate finance within the UNFCCC or otherwise. As well, providers currently use a range of accounting rules to determine the value of their contributions to climate finance. There is no international commitment to standardize transparency in climate finance, no rules on concessionality in the reporting of loans, and no independent monitoring of provider performance against agreed norms.

The UNFCCC's Standing Committee on Finance, the International Finance Institutions, and the DAC's Climate Change Experts Group have been working, both separately and collectively, to resolve these outstanding issues and to establish an agreement on standards for reporting climate finance.[9] UNFCCC COP24 is expected to approve a "rules book" on implementing the Paris Agreement. However, in early September 2018, no agreement on finance is in sight.

Because of these challenges, the Report includes a detailed description of the methodology it has employed to frame its analysis of Canada's climate finance. This is outlined below; a more detailed explanation is provided in **Annex One**.

2.1 The Report's Methodology and Information Sources

This Report includes several points of analysis. While the focus is on Canada's $2.65 billion pledge it also examines climate finance disbursements that have been documented through GAC's annual statistical reports on international assistance. Where possible, the Report also offers comparisons with other providers. Here the analysis uses concessional grants and loans that are reported as climate finance in provider ODA to the OECD Development Assistance Committee (DAC).

The following methodological assumptions have set the parameters for the Report's analysis:

a) The climate finance allocations related to the $2.65 billion commitment are assumed to be projects where the full purpose and budget is devoted to climate finance adaptation and/or mitigation.[10] The one exception to this rule is Canada's commitments/disbursements to the

Global Environment Facility (GEF) that relate to climate finance, given the overall purpose of the GEF

b) The DAC Rio Marker system[11] employed by both GAC and the DAC in determining its climate finance statistics for ODA is the basis for establishing statistics for climate finance adaptation and/or mitigation. Project budgets and/or disbursements have been adjusted to avoid double counting (see **Annex One, B**).

- Projects that are marked both adaptation and mitigation have been divided 50/50 between these two goals.
- When the analysis includes projects beyond the $2.65 billion commitment, in which climate finance is included as one of several project objectives, the budget/disbursement is discounted to 30%. This rule has now been adopted by Canada in its report to the UNFCCC, but not by all providers. The Report discounts all providers similarly to allow for more accurate comparisons.
- Loans in climate finance, which are substantial for several providers, are discounted to their "grant equivalency", using the 2016 average for each provider as calculated by the OECD DAC (see **Annex One, C** for details). Canada uses loans in Canadian special funds housed in several multilateral banks to disburse climate finance to the private sector. Because the grant equivalency of these loans is not known these funds are included at their full commitment value.

The starting point for this analysis is to determine exactly how much climate finance Canada is providing. The answer is not straightforward. To determine an accurate overview of scale and trends, the following Section draws on three different, but related, perspectives:

1) A summary of all known announced and/or implemented commitments made by the Government that link directly to the $2.65 billion commitment (**Annex Two and Three**);

2) An overview of all Canada's climate finance flows as reported in its various biennial reports to the UNFCCC, which provides a broad overview of Canadian climate finance flows. As of yet, however, these reports do not comprehensively identify specific initiatives related to the $2.65 billion pledge; and

3) A summary of disbursements of projects for climate finance as identified by the OECD DAC Rio Marker. These disbursements are documented in GAC's Historical Projects Dataset for each fiscal year, up to and including the 2016/17 fiscal year. This project data goes beyond the projects identified as part of the $2.65 billion commitment, as it includes projects whose objective is not exclusively climate related.

The methodological assumptions for each of these calculations are set out in **Annex One, E**.

3. An Overview of Canadian Climate Finance

Highlights

- **A total of $1.44 billion in project commitments have been identified relating to Canada's $2.65 billion pledge for climate finance at the Paris Summit, to be delivered from 2016/17 to 2020/21**.
- **The Government has not laid out a coherent climate finance strategy, with a rationale for sustained finance, objectives, targets and modalities for effective delivery. Instead, Canada's approach is derived from project announcements and reports to the UNFCCC of support for individual projects and institutional funds.**
- **Multilateral banks and organizations are implementing 89% of Canada's Paris commitments. Four new multilateral projects (Green Climate Fund, Canada-IFC Renewal Energy Program for Africa, Canada-IFC Blended Climate Finance Program, and the ADB Canada Climate Fund for the Private Sector) along with climate-related replenishment of the Global Environment Facility have made up 70% of commitments to date for the $2.65 billion pledge.**
- **Since 2010, Canada's annual disbursements for climate finance have been uneven. These disbursements have been primarily driven by pledges at various COPs. These include COP15 (Copenhagen) for Fast Start Finance up to 2012 ($1.2 billion) and COP21 (Paris) after 2015, with pledges of $2.65 billion and $800 million annually by 2020.**
- **At $212 million in principal purpose climate finance disbursements in 2016/17, the Government has achieved only one-quarter of the $800 million goal for 2020/21.**
- **There was a significant hiatus in commitments and disbursements for climate finance from 2013/14 to 2015/16. Disbursements in 2016/17 have not yet reached the average**

3.1 Projects financed through Canada's $2.65 billion climate finance commitment

AidWatch Canada's analysis of Government announcements, project datasets, and other sources of information have identified a total of $1.44 billion in project commitments relating to the $2.65 billion pledge. **Annex Two** and **Annex Three** present known financial information and descriptive details, for these projects.[12]

Project commitments for the remaining $1.2 billion, or 46% of the $2.65 billion pledge, may be allocated but have not been announced to date (September 2018). Two years are left to fully meet Canada's 2015 Paris commitment.

Table One provides an overview of the different delivery channels used to support Canada's $2.65 billion pledge projects. The Government continues to heavily rely on multilateral channels with **89% of the committed funds being implemented by multilateral banks and organizations.** This share is somewhat

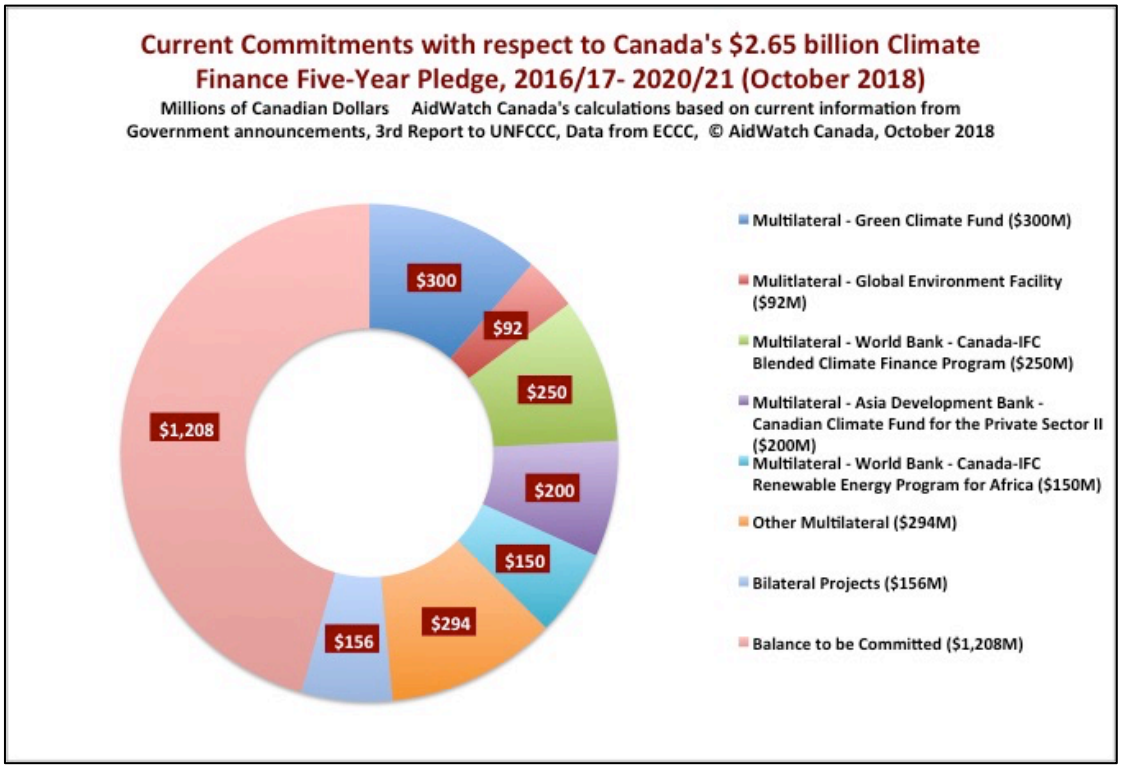
less than the 2010 to 2015 period, during which approximately 95% of disbursements were channelled through multilateral organizations for Fast Start and climate finance projects up to 2015/16.

Table One: Canada's commitments for climate finance against its $2.65 billion pledge

Delivery Channel Millions of Cdn$ Multi-year Project Commitments	**Amount Announced**	**Percentage of Total**
Multilateral	$1,286.1	89%
Bilateral	$ 156.2	11%
Total	$1,442.3	

Source: Author's calculations, See Annex One for methodological issues, and Annex Two and Annex Three for details.

Chart One: Canada's current commitments relating to its $2.65 billion Climate Finance Pledge



Four new multilateral projects, along with replenishment of the Global Environment Facility make up 69% of current commitments to the $2.65 billion pledge and represent 84% of the funds channelled through multilateral institutions (see **Chart One**):

- Green Climate Fund - $300 million
- World Bank IFC – Canada-IFC Renewable Energy Program for Africa - $150 million
- World Bank IFC – Canada IFC Blended Climate Finance Program - $250 million
- Asia Development Bank – Canada Climate Fund for the Private Sector II - $200 million
- Global Environment Facility Replenishment - $92.25 million

Only limited information is available on most of the multilateral projects in this dataset (**Annex Three**) since the majority are still at a preliminary stage of implementation or approval. A full analysis of these projects is therefore quite speculative. Where analysis is possible, some preliminary trends have been highlighted in later sections. The Report's analysis is therefore primarily based on climate finance projects already being implemented up to and including 2016/17, which are documented in the Historical Projects Dataset (HPDS). (See Section 3.3.)

3.2 Projects reported to the UNFCCC

In December 2017, Canada released its 7th National Communication and 3rd Biennial Report to the UNFCCC. The 3rd Biennial Report, which documents projects for 2015 and 2016, is notable for its high level of transparency and accountability.[13] As well, it is organized on a calendar year basis, which allows easier comparisons with other providers.

It is important to note that Canada reports to the UNFCCC on projects and programs for international climate finance beyond those that are part of its $2.65 billion pledge. (See footnote 9). An example is the climate finance portion of Canada's replenishment of the Global Environment Facility (an estimated $111.9 million between 2015 and 2020). Other examples are projects where climate adaptation or mitigation objectives are amongst several other objectives. Canada now discounts these project budgets to 30%, as is the practice for this Report's methodology.

In 2016, Canada had just begun to report projects to the UNFCCC that were included in its $2.65 billion pledge. This gap is due to the lead-time required to initiate and execute the announced projects and programs. **Table Two indicates that this start-up could be proceeding at a somewhat slower pace than during the Fast Start Initiative finance (2010 to 2012).** Canada reported $496.5 million in disbursements for the first year, 2010/11, following the 2009 commitment to Fast Start Finance. This performance compares to $294.6 million in calendar year 2016, the first year after the Paris COP21. However, many commitments against the $2.65 billion pledge were made in 2016 and are to be implemented in 2017 and 2018.[14]

Table Two: Climate finance in Canada's Reports to the UNFCCC

Million Cdn$ Annual Disbursements	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015**	**2016**
Multilateral	$453.0	$417.3	$404.9	$129.5	$ 13.6	$ 64.3	$251.8
Bilateral	$ 43.5	$ 48.9	$ 67.4	$ 58.2	$ 98.4	$ 32.5	$ 42.8
Total (excl core multilateral)	**$496.5**	**$466.2**	**$472.3**	**$187.7**	**$112.0**	**$ 96.8**	**$294.6**
Multilateral Core Support						$ 95.6	$ 88.9

Table Note: Due to incomplete data in some reports and the 3rd Biennial Report's change from fiscal year to a calendar year the data for these years is not totally comparable. There is also some double counting in 2015 and 2014/15 fiscal years. Data for 2014/15 and earlier does not include core support for multilateral organizations. (Multilateral Core Support is the proportion of Canada's core financing to these institutions that they have allocated to climate finance. These calculations were not made prior to 2015.) Source: Canada's Reports to the UNFCCC, various years. See Annex One, E for Table methodology.

Table Three confirms a high rate of disbursements through multilateral channels for Canada's principal purpose climate finance. In most years over 90% of the disbursements go through these channels.

Table Three: Principal and significant purpose projects in Canada's Reports to the UNFCCC

Million Cdn$ Annual Disbursements (Rio Marker)	**2010/11**	**2011/12**	**2012/13**	**2015**	**2016**
Multilateral Principal	$430.6	$410.9	$404.9	$ 62.3	$236.1
Multilateral Significant	$ 74.6	$ 21.5	$ 0.0	$ 7.4	$ 15.7
Bilateral Principal	$ 36.0	$ 39.1	$ 52.5	$ 0.4	$ 3.9
Bilateral Significant	$ 25.2	$ 32.7	$ 49.6	$ 32.1	$ 38.9
Total Principal Purpose	$466.6	$450.0	$457.4	$ 62.7	$240.0
Total Significant Purpose	$ 99.8	$ 54.2	$ 49.6	$ 39.5	$ 54.6
Multilateral Principal as Share of total Principal	92.3%	91.3%	88.5%	99.0%	98.4%

Table Note: Due to incomplete data in some reports and the 3rd Biennial Report's change from fiscal year to a calendar year the data for years is not completely comparable. This data does not include core support for multilateral organizations. There is insufficient data in Reports to the UNFCCC for years 2013/14 and 2014/15 to complete the Table for these years. Source: Canada's Reports to the UNFCCC, various years. See Annex One for methodological notes.

3.3 Climate finance disbursement up to 2016/17 (Historical Projects Dataset)

The most detailed statistical information on GAC project disbursements for climate finance can be found in the Historical Projects Dataset for each fiscal year.

Table Four: Trends in Canadian Annual Disbursements for Climate Finance, 2010/11 to 2016/17
Average annual disbursements for 2010/11 to 2012/13 and for 2013/14 to 2015/16

Millions of Cdn$ Disbursements	2010/11 to 2012/13 Average per Year	2013/14 to 2015/16 Average per Year	2016/17
Multilateral Principal	$366.4	$158.2	$207.3
Multilateral Significant	$ 54.6	$ 41.0	$ 26.7
Total Multilateral	**$421.0**	**$199.2**	**$234.0**
Bilateral Principal	$ 26.8	$ 1.8	$ 5.0
Bilateral Significant	$ 17.8	$ 48.1	$ 60.8
Bilateral Total	**$ 44.6**	**$ 49.9**	**$ 65.8**
Total Principal Purpose Climate Finance	**$393.2**	**$359.2**	**$212.3**
Total Climate Finance	**$465.6**	**$249.1**	**$299.8**

Table Note: This Table excludes the share of climate finance in replenishments and institutional core support for multilateral banks and organizations, except GEF and IFAD. Years 2013 to 2015 include Canada's $168M disbursement for the Green Climate Fund, which is part of its $2.65B pledge. Source: DAC HPDS; 2010/11 to 2012/13 includes $276.6 million delivered through the Department of Finance.

At $300 million, total disbursements for climate finance exhibit a small uptake in 2016/17, following the Paris COP21, compared to the three-year average annual disbursement ($250 million) for 2013/14 to 2015/16 (**Table Four**). **However, principal purpose climate finance disbursements in 2016 ($212 million), which are similar to the $2.65 billion pledge, are well below the average performance of previous years, including the Fast Start period**.

These climate finance disbursements confirm the predominance of multilateral channels, which has been a consistent emphasis since the Fast Start Finance initiative. In 2016/17 the actual disbursements through multilateral channels were 78% of total climate finance disbursements, down slightly from the average of 80% for the 2013/14 to 2015/16 period, and 90% for the Fast Start, 2010/11 to 2012/13 period. Several major Canadian multilateral bank funds have been announced and approved as part of the $2.65 billion commitment, but they are not reflected in disbursements for 2016/17 (see Section 3.1 above and Section 12).

4. Is Canada's Climate Finance "New and Additional"?

Highlights

- **The $2.65 billion pledge represents new climate finance resources and an increase of 33% on an annual basis over the 2009 $1.2 billion pledge for Fast Start Finance (2010 to 2012).**
- **Using supplementary estimates (funds allocated during the fiscal year above the original budget for each department) as a proxy for additionality, cumulatively, during the period 2010/11 to 2016/17, 95% of climate finance disbursements (principal purpose) were allocated through this budgetary mechanism.**
- **Canada's climate finance disbursements have had an impact on levels of Canadian ODA available for other purposes. As a share of Real ODA (two-year running averages) climate finance peaked at 8.7% in 2010/11, the first year of the Fast Track initiative. From a low of 1.6% in 2014/15, this share is growing again, reaching almost 6% of ODA in 2016/17.**

  Note: Real ODA is total ODA less in-donor refugee and student expenditures, and debt cancellation.

At the 2007 UNFCCC Conference of the Parties (COP13) in Bali, parties agreed to the principle of new and additional resources for climate finance.[15] Two years later, at the 2009 COP15, the *Copenhagen Accord* was adopted whereby developed countries agreed to urgently ramp up climate finance, promising "scaled up, new and additional, predictable and adequate funding as well as improved access … to developing countries." [§9] But since those commitments were made, almost all international public finance for climate change has been included in providers' ODA if these resources are concessional and target developing countries.

A definition of "new and additional" has been obscured by the outcomes of the 2016 Paris COP21. Removing the language of "new and additional resources," the Paris Agreement instead calls more vaguely on developed countries to maximize the mobilization of resources from all sources, "noting the significant role of public funds," whereby "such mobilization of climate finance should represent a progression beyond previous efforts" [emphasis added] [Annex, Article 9].

Under DAC rules for ODA, public concessional climate finance for developing countries is an eligible aid resource transfer and can be reported to the DAC as Official Development Assistance (ODA). All developed country providers, including Canada, count it as such. But without an explicit target for non-climate finance ODA, or separate donor funding mechanisms for climate finance, the degree to which principal purpose climate finance is "new and additional" to existing ODA is virtually impossible to determine.

While various Canadian governments have agreed to achieve the UN target of 0.7% of Gross National Income (GNI) at some unspecified point in time, no government has set out a plan to do so. It is

therefore impossible to confirm exactly whether Canada's climate finance has been allocated in addition to what would have been provided as ODA.

As set out in the 2017 Benchmark Report for C4D, the use of Supplementary Estimates to account for major investments in climate finance can be an imperfect proxy for "new and additional" finance. Supplementaries are parliamentary approved additions to departmental budgets during a fiscal year. They are on top of original budgetary estimates and come from reserves or are added to the annual deficit. These are "one off" contributions, and have been used by the government for budgetary allocations for climate finance.

Annex Four sets out a history of the budgeting of Canadian climate finance through Supplementary Estimates. **From 2010/11 to 2016/17, 95% of principal purpose climate finance was allocated through supplementary estimates**, to be disbursed by CIDA/Global Affairs, Environment and Climate Change Canada, or the Department of Finance (relating to World Bank initiatives). (See **Annex One, F** for methodology.)

The $2.65 billion is indeed both welcome and consists of some new resources, with a few exceptions. For example, the Government has included a share of its pledge to the Global Environment Facility as part of the $2.65 billion, which might not be considered "new" in that this money was already committed in the GEF pledging process.

In its 3rd Biennial Report to the UNFCCC, the Government also addressed the issue of new and additional finance. It emphasized that the $2.65 billion pledge and the commitment of $800 million in annual climate finance by 2020 "is a substantial increase from Canada's past levels of climate finance." In a letter to C4D (June 26, 2018) the Minister of Environment and Climate Change claimed that the new commitment "represents a doubling of Canada's previous annual climate investment under fast-start finance" ($2.65 billion compared to $1.2 billion).

The $2.65 billion certainly represents an increased level of finance for climate related projects. But on an annual basis, this pledge represents not a doubling, but an increase of approximately 33% ($400 million per year under Fast Start and $530 million a year from 2016 to 2020). By 2020/21, if Canada achieves $800 million in annual climate finance disbursements, there will then be a doubling over the Fast Start period.

While addressing the "new" elements for these resources, the Biennial Report fails to address additionality. Developing countries and CSOs have always interpreted the latter as not only new money, but also as additional concessional finance on top of existing ODA to be applied to other purposes.

An important question is the impact principal purpose climate finance has had on trends in Canadian ODA that could be devoted to other purposes? The concern is principal purpose climate finance reported as ODA.[16]

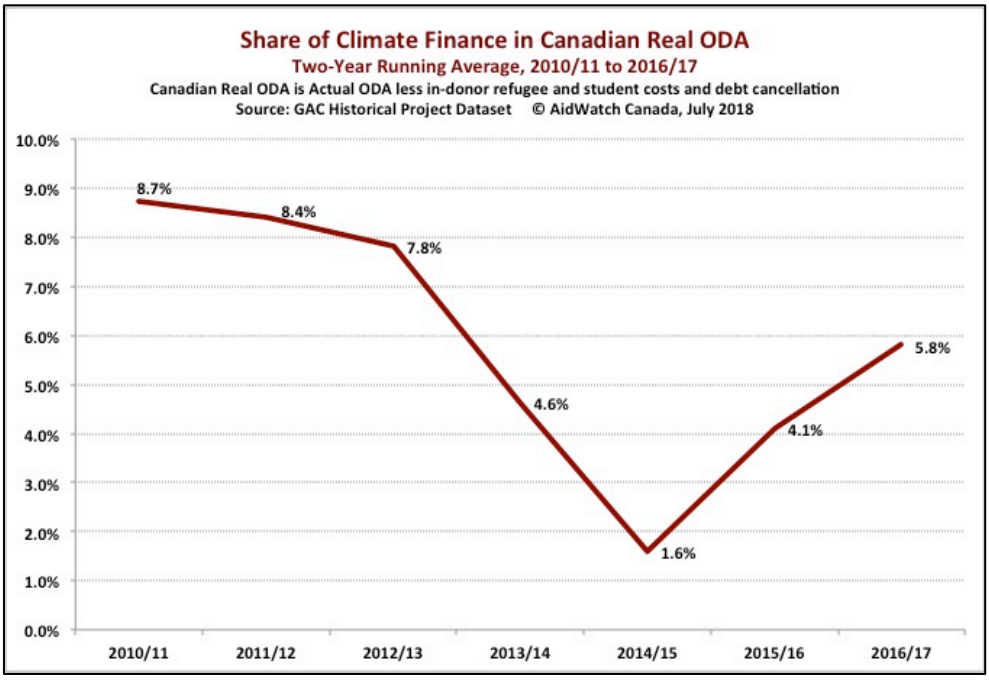
Chart Two highlights the significant impact principal purpose climate finance has had on Real ODA during the years affected by Canada's international commitments.[17] **Climate finance's share of Real ODA**[18]

(two-year running averages) peaked at 8.7% in 2010/11, the first year of the Fast Track initiative. Since a low of 1.6% in 2014/15, this share is growing again, reaching almost 6% of ODA in 2016/17. As Canada moves toward the target of $800 million per year by 2020, climate finance will undoubtedly take up a larger share of Canadian ODA.

In some years, the impact of climate finance in ODA has reversed the overall improvements in ODA. For example, for 2011/12, ODA seemed to increase to $5.0 billion from $4.95 billion, but actually declined to $4.6 billion from the previous year, when climate finance is subtracted.

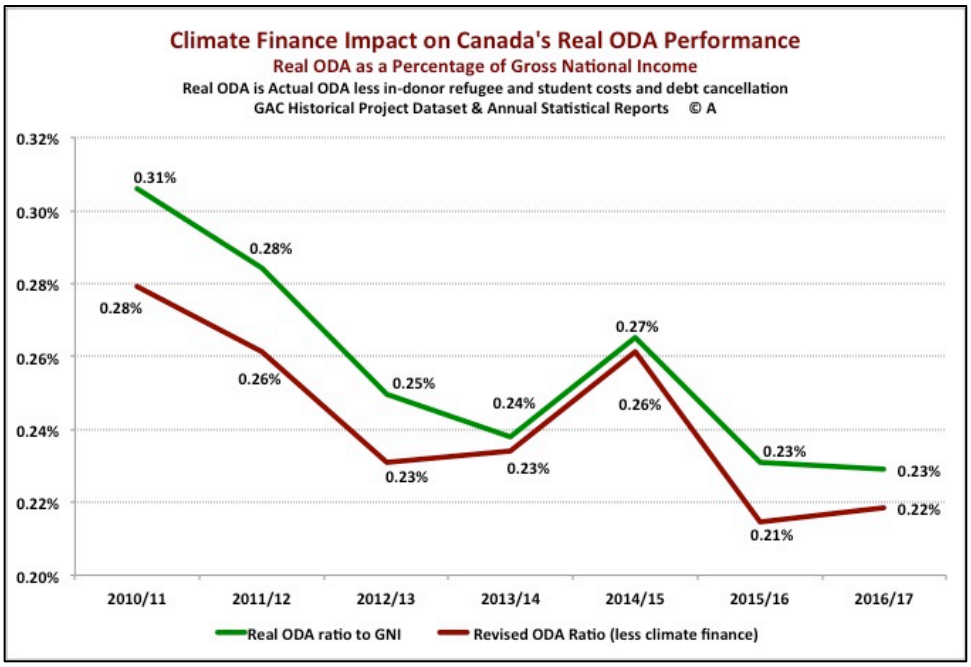
In the absence of sizeable and sustained annual increases in ODA going forward, the impact of climate finance, combined with increasing needs for humanitarian assistance (in part linked to climate change), will reduce the level of Canadian ODA available to developing countries for long-term development change. This trend is not just Canadian; it is an emerging global pattern affecting ODA for many providers.[19]

Chart Two: Share of Climate Finance in Canadian Real ODA



The inclusion of Canada's climate finance inside ODA, without compensatory increases in ODA, will exacerbate the already dismal record for Canada's aid generosity (the performance ratio of Real ODA to Gross National Income as shown in **Chart Three**). **Canadian CSOs have long promoted a ten-year plan for Canada to achieve the UN target of 0.7% of its GNI. This plan would require 15% annual increases in the International Assistance Envelope over ten years. Such increases could easily accommodate significant allocations to climate finance beyond the current commitment period to 2020**.

Chart Three: Climate finance and its impact on Canada's Real ODA Performance Ratio



5. Canada's 'fair share' of International Climate Finance

Highlights

- **Canada's fair share of provider climate finance remains at 3.9% (average share of providers' GNI from 2010 to 2016).**
- **Canada's fair share of the US$100 billion Copenhagen commitment in annual disbursements by 2020 is approximately Cdn$1.9 billion, more than double the current commitment of $800 million.**
- **Achieving just the $800 million annual disbursements in 2020/21, projected over the next five years, will amount to $4 billion, which is an increase of 50% over the current five-year $2.65 billion commitment.**
- **Canada provided 1.2% of existing total provider climate finance commitments registered at the DAC in 2016, which is only one-third of its fair share (3.9%).**
- **Canada's generosity (principle purpose climate finance as a share of its GNI), has deteriorated since the Fast Start period (2010 to 2012) when it ranked 11th among 23 DAC providers. In 2016 it ranked 16th, up slightly from its lowest ranking of 20th for the period 2013 to 2015.**

5.1 Assessing providers' fair share of climate finance

At the Copenhagen COP15 in 2009 the international community committed to US$100 billion in total annual climate finance by 2020. This annual commitment was then extended to 2025 during the 2015 Paris COP21. AidWatch Canada's 2017 Benchmark Report put Canada's fair share at 3.9%, which since 2010 has been the average share of Canada's Gross National Income (GNI) in the total GNI of all developed countries. (For details see **Annex One, G** on methodology.) While 3.9% is a minimal fair share, Canada routinely exceeds this percentage in areas that are policy priorities. Examples include Canada's 4.5% share in the replenishment of the World Bank's concessional window and the International Development Association (IDA)[20] or 4.5% to the 2018 to 2022 replenishment of the Global Environment Facility.[21]

In 2016, a number of providers produced a *Roadmap* for achieving US$100 billion in climate finance by 2020. This *Roadmap* was produced by the OECD and mandated by the Paris COP21. Developed country providers are expected to contribute US$66.8 billion annually, with US$37.3 billion being bilateral funds and US$29.5 billion multilateral funds attributed to developed country providers. The remaining US$33.2 billion (33%) is expected from the private sector.[22]

At 3.9%, Canada's fair share of the US$100 billion is US$1.45 billion annually in bilateral commitments. At 2016 OECD exchange rates, Canada should be providing Cdn$1.9 billion, more than double the current commitment of $800 million by 2020/21. Canada is not alone in failing so far to achieve its fair share of the $100 billion pledge. In fact, Norway is the only country to have financed its fair share of the $37.3 billion, which it accomplished in 2016.

Since the 2017 *Benchmark Report*, Canada has not announced any increase in its Paris commitment for 2020 or beyond. Nevertheless, achieving the $800 million annual climate finance commitments in 2020/21, projected over the following five year, represents a 50% increase over the current five-year $2.65 billion commitment.

Putting aside a fair share of the $100 billion target, have individual providers contributed their fair share of existing climate finance? Unfortunately, the answer is also no for almost all providers.

An examination of current ODA climate finance projects for which climate change is the principal purpose confirms that few providers achieved their 'fair share' of existing commitments in 2016 (**Annex Five** and **Annex One, G** for methodology). Five providers that exceed their 'fair share' are responsible for two-thirds of climate finance commitments in that year: Germany (31% -- fair share 8%); France (20% - fair share 6%); United Kingdom (7% - fair share 6%); Norway (5% - fair share 1%); and Sweden (3% - fair share 1%). These providers included this climate finance within their ODA for that year.

Measured against existing commitments, Canada provided 1.2% of these principal purpose commitments registered at the DAC in 2016, which is only one-third of its fair share (3.9%). This share was less than the Fast Start period, 2010 -2012 (1.9%) and the period 2013 to 2015 (1.5%).

5.2 Provider generosity in climate finance

Aside from the US$100 billion by 2020, there are no provider targets for climate finance. But another measure of 'fair share' could be 'the level of generosity' in climate finance, i.e. the share of principal purpose climate finance as a share of the provider's Gross National Income (GNI). (See **Annex One, G**) Such a measure is similar to the UN-mandated provider performance target for ODA of 0.7% of GNI for DAC providers.

According to OECD DAC statistics, **Canada's generosity as a climate finance provider has deteriorated since the Fast Start period (2010 to 2012) when Canada ranked 11th among 23 DAC providers. By 2016, Canada's ranking had dropped to 16th position, up slightly from 20th for the 2013 to 2015 period.** Canada is performing far below the DAC ratio for all 23 providers. Canada's climate finance share of its GNI was less than half (43%) of the DAC ratio for all providers in 2016, up from a very low 18% for the 2013 to 2015 period.

There is no agreed upon target for provider generosity as there is for ODA. If DAC providers had met the US$37.3 billion target for bilateral climate finance in 2016, they would have committed 0.085% of their total GNI. Only Norway reached this target. Three providers – Germany, Norway and France – were among the top five in provider generosity in the three periods reviewed. Norway has consistently ranked number one. Japan ranked second in the Fast Start period and in the 2013 to 2015 period, but dropped to 10th position in 2016.

6. Adaptation and Mitigation in Canada's Climate Finance

Highlights

- **Canada's current project commitments in relation to the $2.65 billion pledge have a 50%/50% balance between mitigation and adaptation purposes. However, if the two large multilateral programs for private sector climate finance (which in the past have had a very weak record in relation to adaptation finance) are excluded as adaptation, this ratio would change to a 67%/33% bias towards mitigation.**
- **The trend for the share of Canadian principal purpose adaptation in disbursements since 2010/11 is well above the Fast Track experience (16%), with a two-year rolling average for 2016/17 at 33%. However, this average has been declining since 2014/15.**
- **Among 23 DAC providers, Canada ranked 10th in 2016, with 8 of these providers exceeding the 50% target for adaptation finance.**

Climate finance must include initiatives that address the need for both adaptation and mitigation. To date there has been a heavy imbalance in favour of mitigation. Acknowledging the implications of this imbalance, the *Paris Agreement* (2015) called for "the provision of scaled-up financial resources, [which] should aim to achieve a balance between adaptation and mitigation, taking into account country-driven

strategies, and the priorities and needs of developing country Parties, … considering the need for public and grant-based resources for adaptation." [Article 9, 4]

Canadian CSOs in C4D have called for a 50/50 balance in Canadian climate finance between mitigation and adaptation. What has been Canada's performance?

6.1 Adaptation/Mitigation Trends: Project approved to date for the $2.65 billion commitment

In Canada's current commitments towards the $2.65 billion pledge (see Annex Two), a 50%/50% mitigation/adaptation balance has been achieved.[23] However, there is an important caveat relating to two new, very large multilateral bank special programs for the private sector. The IDB's Canada Fund for the Private Sector II ($200M) and the Canada-IFC Blended Climate Finance Program ($250M) have been categorized as support for both mitigation and adaptation. However, in practice the IDB's Canada Fund for the Private Sector I had a very limited number of projects that could be considered support for adaptation (see Section 7 below). The World Bank IFC has also shown a weak record in relation to financing adaptation.[24] **If these programs are considered only mitigation, the ratio changes to 67%/33% in favour of mitigation.**

6.2 Adaptation/mitigation trends: Annual GAC disbursements: 2010/11 to 2016/17

An examination of disbursements up to 2016/1, indicates that there is an improving balancing toward supporting climate finance adaptation, recognizing a critical need of the poorest and most vulnerable countries.

Chart Four tracks the share of principal purpose adaptation in Canada's climate finance, which aligns closely with projects that are considered part of its UNFCCC commitments. For the Fast Start period (2010/11 to 2012/13) adaptation was a low priority with an average of only 16% for that period, along with relatively low dollar commitments. An emphasis on adaptation improved during the intervening period prior to the 2015 COP21 commitment of $2.65 billion, although this was a period of weak climate finance overall. While the trend line for adaptation as a priority has been declining in more recent years, it is still well above the Fast Track experience, with the two-year running average for 2016/17 at 33%. Actual disbursements in this period have been increasing to $90 million in 2016/17 (two year running average).[25]

When significant purpose climate finance is included (discounted to 30% of total project budgets), Canada's recent performance improves somewhat (See **Chart Five).** Many more projects consider some objectives for adaptation among their other objectives, than they do for mitigation. While the recent trend is declining (similar to principal purpose adaptation), the starting point in 2014/15 is more than 60%, moving to 43% in 2016/17. CSOs are responsible for many of the projects that have mainstreamed climate adaptation as one amongst other project objectives (see Section 10 below).

Chart Four: Principal Purpose Adaptation Finance Disbursements and as a Share of Total Principal Purpose Finance

(Two year running average)

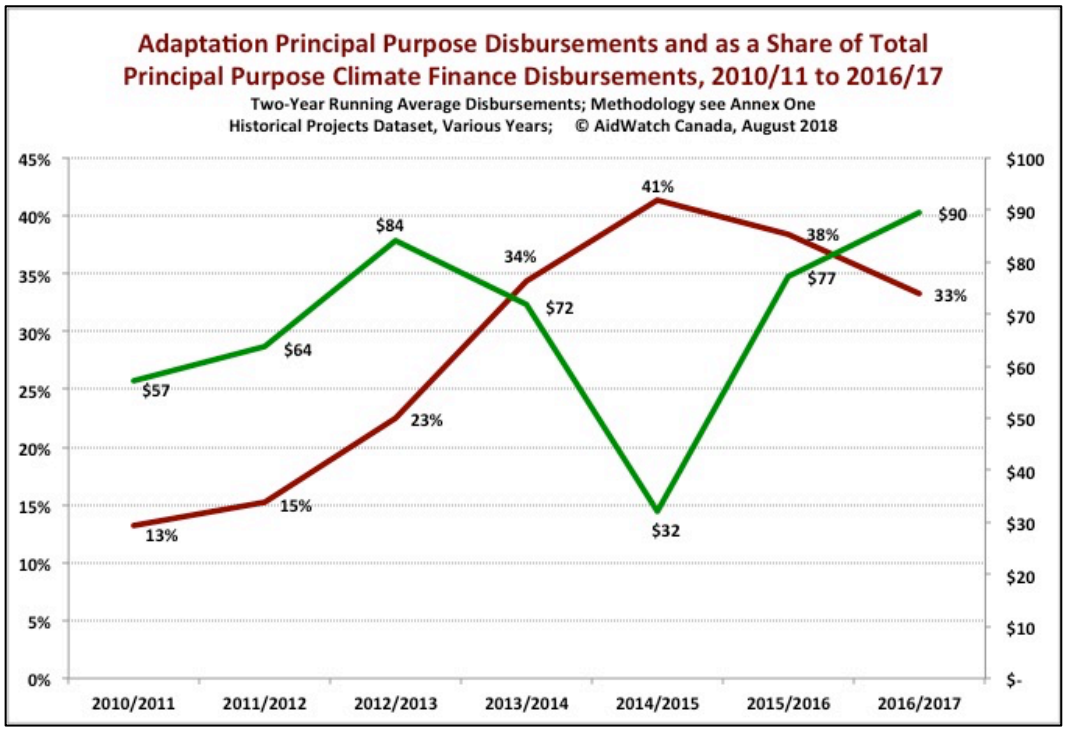
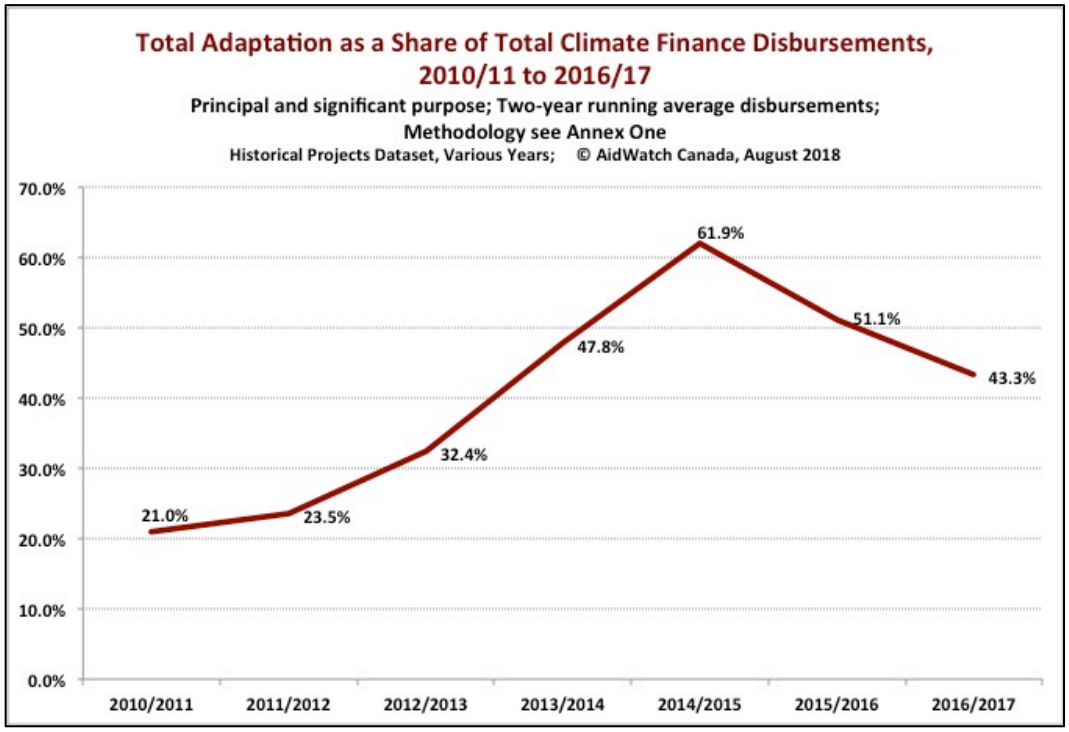


Chart Five: Total Adaptation as a Share of Total Climate Finance

(Including principal and significant purpose climate finance, with a two-year running average)



6.3 Adaptation/mitigation trends: Canada in relation to other providers

Annex Six provides a comparison of Canada with other providers of climate finance by examining the share of adaptation finance (principal purpose) within total climate finance. Canada's adaptation climate finance commitments, as reported to the DAC for 2016, were 44% of total principal purpose climate finance commitments. (Note: DAC statistics are on a calendar year basis and for commitments, and therefore shares will differ for Canada from its fiscal year statistics for disbursements.) Canada's ranking was 10th amongst the 23 providers, with 8 of these providers exceeding the 50% target for adaptation finance in that year. Canada's ranking has remained constant since the 2013/14 to 2015/16 period, when it was 11th.

Since 2012, the balance between adaptation and mitigation finance for all DAC provider countries has improved slightly, from 30% in 2012 to 38% for adaptation in 2016.[26] Together they provided US$5.2 billion to adaptation finance in 2016. The United Nations Environment Program points to a growing finance gap for adaptation. They suggest that between US$140 billion and US$300 billion annually will be needed by 2030.[27] For Africa alone, their estimate is close to $50 billion a year by 2025/2030.[28] Sub-Saharan Africa received only US$1.6 billion per year in adaptation ODA finance between 2012 and 2016. At a mere 3% of this US$50 billion, there is much work to do to eventually achieve this target.[29]

7. Canada's Climate Funds with Multilateral Development Banks

Highlights

- **Canada's climate finance relies heavily on blended finance mechanisms with the private sector through multilateral development banks (MDBs). This financing approach constituted more than 50% of Canada's Fast Start finance (2010 to 2012) and more than 43% of current allocations for the $2.65 billion pledge.**
- **To date only six of 62 projects funded by the three MDB Funds established in the Fast Start period support adaptation. They represent a mere 10% of the value of all projects funded.**
- **Canada should consider a better balance in its climate finance delivery channels. This would address the inherent biases and potential issues in current allocations, which heavily rely on MDBs. This reliance is four times the overall experience of DAC providers.**
- **Canada recently created a Development Finance Institution, FinDev Canada. One of its four priority areas for investment is climate finance for developing countries.**
- **CSOs have raised many critical questions about the additionality, transparency, development effectiveness and accountability of blended finance mechanisms.**

7.1 MDBs in the Fast Start Period (2010 to 2012)

Multilateral Development Banks (MDBs) continue to be a major delivery channel for Canada's climate finance. For the Fast Start period (2010/11 to 2012/13), special Canadian funds at three MDBs constituted more than 50% of Canada's $1.2 billion Fast Start climate finance commitment:

- Asia Development Bank: Canadian Climate Fund for the Private Sector in Asia ($82.4 million)
- Inter-American Development Bank: Canada Fund for the Private Sector in the Americas ($250 million)
- World Bank International Finance Corporation (IFC): Canada Climate Change Program ($276.6 million)

The purpose of all three funds is to provide public finance to catalyze and reduce risk for private sector investments in mitigation and adaptation projects. To date (July 2018), these three funds have made loans and small technical assistance grants to a total of US$348 million, just over half of the total Canadian allocation. **Addendum Two** lists all known and published listings for projects financed through these funds.

The 2017 C4D Benchmark study found that more than 60% of the projects financed through these funds were in upper middle-income countries. Of the remaining 40%, 30% were based in lower middle-income countries, and only 8% in low-income countries. This country focus is not surprising, given their major priority for mitigation projects involving the private sector. Of the 62 projects that have been supported by these funds only six (at a value of $34.5 million [10%]) were in support of adaptation. Fifty-one of these projects were in the renewable energy sector. Only four projects were based in the agriculture sector, receiving US$20.5 million (6%) of the US$348 million in total project allocations.

7.2 New special Canadian funds through MDBs

Going forward, Canada continues to have a significant reliance on MDBs in the execution of its climate finance projects. Among the allocations for the $2.65 billion pledge listed in **Annex Two** are $600 million in contributions to three new special Canadian funds at the MDBs. These funds make up 43% of current allocations, and almost a quarter (23%) of the $2.65 billion commitment.

- World Bank IFC – Canada-IFC Renewable Energy Program for Africa ($150 million)
- World Bank IFC – Canada IFC Blended Climate Finance Program ($250 million)
- Asia Development Bank (ADB) – Canada Climate Fund for the Private Sector II ($200 million)

These three new funds have all been created as blended finance instruments (combining Canadian public finance with private finance) to encourage private sector climate finance.

Canada-IFC Renewable Energy Program for Africa

This special Canadian Fund was announced in January 2018. It will be housed and managed at the World Bank's International Finance Corporation and will,

> "catalyze private sector investment in renewable energy by providing concessional financing blended alongside IFC's own account resources to mitigate a variety of risks that can deter private investment in renewable energy."[30]

This special Canadian program is part of a G7 commitment in support of the objectives of the Africa Renewable Energy Initiative (AREI). The AREI is an African-led continental framework, which aims to accelerate access to clean, appropriate and affordable energy using renewable energy systems, supported by the G7 and other stakeholders. This initiative is endorsed by the African Union and African Heads of State and aims to achieve at least 10 GW of new and additional renewable energy generation capacity by 2020.[31]

Canada IFC Blended Climate Finance Program

The Canada IFC Blended Climate Finance Program was announced in June 2018. Its objective is to "mitigate risks deterring private investment in key areas such as resilient infrastructure, climate-smart agriculture, and renewable energy."[32] No further information on the mandate and operations of this loan fund is currently available (July 2018).

The IFC says that its overall focus is "mainstreaming climate business in high-growth sectors - opening new markets in key areas such as clean energy, green finance, green buildings, climate-smart cities, and climate-smart agribusiness."[33] It directs a high percentage of its resources to middle-income countries. For instance, in 2016 only 2.6% of its investments were in low-income countries, despite a 2010 commitment to raise this level to 50%. A recent assessment of the IFC's capacities concluded that with "fewer people tasked with investing more, in more difficult environments, with little regard to development outcomes, is a combination seemingly designed to push big, easy, low-impact, low-additionality projects."[34]

Note: The previous IFC Canada Climate Change Program was coded as mitigation only and AidWatch Canada has coded this program similarly.

Canada Climate Fund for the Private Sector II

The Canada Climate Fund for the Private Sector II, which was established in March 2017, at the Asia Development Bank (ADB) is

> "designed to support greater private sector participation in climate change mitigation and adaptation in low [income countries] and lower middle income countries and upper middle-income small island developing states in Asia and the Pacific."

The ADB will manage the Fund, which focuses on concessional loans in a wide range of sectors relevant to climate finance.[35]

The earlier ADB Canada Climate Fund had a similar range of possible sectors for investment. However, a review of approved projects demonstrates that US$60.7 million was invested in various renewable energy projects and only US$2.3 million in two small agricultural projects. All but $1 million was mitigation financing. For this reason, AidWatch Canada has re-coded the Canada Climate Fund for the Private Sector II as mitigation, and not mitigation/adaptation as coded by GAC in its approval documents. Overall, the ADB has a weak record in financing adaptation. In 2017, only 26% of its investments for climate finance related to adaptation. A mere 11% of the resources managed by the Bank for external actors were directed to adaptation.[36]

7.3 Issues in blended finance

Official providers have been increasingly focused on the expansion of public climate finance linked to the catalyzing of additional private investment in adaptation or mitigation projects. This modality of aid is called 'blended finance.' It can take various forms: 1) direct loans from public finance towards the financing of private sector projects, 2) direct share investment in a company involved in climate related investments, 3) lines of credit, 4) loan guarantees (in which public finance is only deployed if the loan is not repaid), or 5) investment guarantees (which is only deployed if the investment is affected by the recipient government). The special Canadian funds at the MDBs are considered blended finance.

The Canadian government has also launched a bilateral Development Finance Institution (DFI), called FinDev Canada, which will operate various blended finance mechanisms under the umbrella of the Canadian Export Development Corporation (EDC). One of FinDev Canada's three priority sectors is

> "green growth, e.g. renewable energy, energy infrastructure, energy efficiency, water supply, water management, waste management, waste water management, bio-refinery products, green industrial production, and climate solutions focused on mitigation or adaptation."[37]

FinDev Canada plans to report investment information related to industry sectors, strategy goals, development impacts, geographic areas and types of financial services provided. Currently (July 2018) there is little data available on its projects and operations.

This initiative by Canada is part of a wider move by providers towards blended finance with the private sector. The OECD DAC calculates that there are now 167 different blending mechanisms in provider countries, including FinDev Canada.

In a related note, the Government reported $273 million in climate finance for developing countries from the Export Development Corporation in 2016.[38] The EDC has issued four sets of Green Bonds since 2015, with the fourth Green Bond in September valued at $500 million. Proceeds from these bonds are invested in international business opportunities "in the preservation, protection or remediation of air, water and/or soil, or the mitigation of climate change."[39] The EDC has guidelines in place, which have

been certified by an independent research center at the University of Oslo, for its investments in green technologies.

The Government does not include EDC investments as part of its $2.65 billion Paris pledge. It also provides no breakdown on the geographic allocations or the adaptation / mitigation balance in the projects financed by its Green Bonds.

CSOs involved in monitoring DFIs in development cooperation have raised a number of critical issues, while acknowledging that well-targeted initiatives with the private sector can benefit poor and marginalized populations.[40] They also believe that carefully structured blended finance may provide needed resources to mitigate climate change. CSOs focus on the following questions to guide the monitoring of blended finance and to ensure its effectiveness:

- Do the public resources in blended mechanisms create **conditions for <u>additional</u> private sector financing**, or are they merely subsidies for existing initiatives by the private sector?
- Is the deployment of public finance within blended mechanisms in developing countries consistent with **development effectiveness principles** (strengthening country ownership, promoting inclusive partnerships, focused on results, meeting accountability and transparency standards)?
- Does blended finance undermine the improvement of **transparency** for development assistance and climate related finance?
- Does the expansion of loan mechanisms through blended finance **exacerbate a re-emergence of a debt crisis** for vulnerable developing countries?
- How should blended finance be reported in development cooperation? There are **currently no agreed upon rules**. Several mechanisms, such as loan and investment guarantees, often result in no actual expenditure by the provider, but are counted at their full face value as development cooperation and/or climate finance.
- Will blended finance accentuate the **re-emergence of tied aid** in development cooperation?
- Will **blended finance related to climate change** ensure significant finance for adaptation; target the most vulnerable populations; and be disbursed in a timely manner?

7.4 The place of MDBs as channels for Canada's Climate Finance: Achieving a qualitative balance in Canadian climate finance

Canada has a very high reliance on MDBs' blended finance mechanisms in the delivery of its principal purpose climate finance. **Table Five** compares Canada's use of MDBs in 2016 to that of DAC providers as a whole as well as selected providers. This table shows that, in comparison to other providers, **Canada delivers four times more of its climate finance through MDBs, and also has a higher reliance on other UN / multilateral mechanisms.** According to DAC records, these modalities were responsible for more than 72% of Canada's principle purpose climate finance commitments in 2016.[41] The use of bilateral (government) and CSO channels by Canada are very under-utilized compared to other DAC providers.

Table Five: Delivery Channels for Principal Purpose Climate Finance, 2016

Delivery Channel	All Providers	Canada	Denmark	Germany	Ireland	Norway	Sweden	UK
Government	46.9%	4.6%	63.4%	81.1%	30.7%	29.3%	8.5%	19.5%
CSOs	11.8%	4.9%	13.7%	5.9%	44.1%	37.5%	44.9%	10.4%
MDBs	8.1%	35.0%	11.3%	3.4%	8.7%	21.8%	24.9%	27.7%
UN	19.4%	37.2%	9.0%	9.0%	14.2%	10.7%	21.1%	25.4%
Other/Private	13.9%	18.3%	2.5%	0.6%	2.3%	0.7%	0.7%	17.1%

Source: DAC CRS Climate Finance, Provider Perspective, 2016, All principal purpose climate finance; Author's calculations

The question is whether this imbalance is an issue, particularly if Canada has a continued and growing reliance on MDB channels in the allocation of its $2.65 billion pledge. There are several considerations that should be taken into account:

- The reliance on MDBs creates a very **strong bias in Canada's climate finance towards mitigation purposes**. When the reality of these MDB-supported private sector projects is considered, at best, only 33% of Canada overall climate finance is for adaptation purposes (See Section Six).
- The reliance on MDBs (but also the Green Climate Fund) creates **a very high Canadian reliance on loans** in the modality of support for developing countries urgent climate finance needs. In practice this is likely to mean that this finance will be **biased towards Upper Middle Income Countries**. (See Section Eight)
- The growing use of MDBs for the $2.65 billion pledge could **potentially undermine positive movement towards support for Sub-Saharan Africa, LDCs and Small Island Developing States** in Canada's climate finance, which has been taking place since the Fast Start Period (See Section Nine).
- The track record of the ADB and the IFC in taking account **gender equality in their own climate finance is very weak**. From 2010 to 2015, only 1.4% and 1.8% of the ADB's and IFC's climate finance respectively was marked significant purpose for gender equality.[42] While the IADB's record was better for significant purpose, there were no allocations for principal purpose gender equality in all three MDBs. (See Section Eleven)
- The current allocation between delivery channels significantly **under-utilizes the experiences and expertise of CSOs** in reaching the poorest populations through climate finance adaptation (See Section Twelve) .
- With limited reliance on bilateral government channels, Canada is **not creating the right conditions to develop the human resources, experience and knowledge**, which are needed to fully respond to a significant mainstreaming of climate adaptation and mitigation in all aspects of its development cooperation.

8. Loans in Canada's Climate Finance

Highlights

- **Of the known allocations from the $2.65 billion pledge, approximately $732 million (50%) have been allocated to multilateral loan mechanisms (MDBs and the Green Climate Fund).**
- **The increased use of loans in climate finance exacerbates the vulnerability of low and lower middle-income countries to the re-emergence of a debt crisis.**

Canada reports all of its climate finance to the OECD DAC as grants. However, grants allocated to the several special Canada climate funds at MDBs are actually provided by these Funds as loans. Canada's loan programs through the MDBs are primarily focused on mitigation finance in upper and lower-middle income countries. Of the known allocations for the $2.65 billion pledge, 60% will be provided as loans. This amount includes a portion of the $300 million Canadian commitment to the Green Climate Fund, $132 million (44%) of which will be provided as loans ($110 million and $22 million as a "cushion fund" to cover loans losses).

A strong emphasis on loans for projects in developing countries runs counter to the Paris COP21 commitment to grant-based resources for adaptation [Article 9 (4)]. In general, developing countries should not be responsible for paying developed countries for measures to adapt or mitigate the impacts of climate change, for which developed countries are largely responsible.

For all DAC providers, 57% of climate finance is delivered through loans, including 33% for adaptation finance intended for low income and vulnerable countries. France uses loans for 97% of its climate finance, Japan 93% and Germany 64%.[43] These three countries are the largest bilateral providers of climate finance.[44]

This use of loans for climate finance by DAC providers is a major concern for debt sustainability, particularly for low-income and lower middle-income countries. There is strong evidence of the re-emergence of unsustainable debt levels in a number of countries. An official with the IMF recently pointed out, "our debt sustainability analyses indicate that 40% of Low-Income Countries are currently at high risk of or already in debt distress. It doubled in five years."[45] The expanded use of Development Finance Institutions for loan-based climate finance and to catalyze the private sector, including by FinDev Canada, may have the potential to intensify the debt burden of vulnerable countries.

9. Geographic Focus for Canadian Climate Finance

Highlights

- **Preliminary analysis suggests that an estimated 40% of projects related to the $2.65 billion pledge will be directed to Least Developed Countries (LDCs) and Low Income Countries (20%) or Lower Middle-Income Countries (LMICs) (20%). These allocations are consistent with improved emphasis on LDCs and LMICs in bilateral disbursements since the Fast Start period (2010 to 2012).**
- **There is a growing emphasis on Sub-Saharan Africa in Canada's climate finance, particular for adaptation finance. At this point there is not enough information available to determine whether this priority has continued with the projects that have been approved for the $2.65 billion pledge.**
- **Similarly, the emphasis on adaptation finance in LDCs, Sub-Saharan Africa and Small Island Developing States has increased since the Fast Start period. Although 2016 shows a strong performance (76% of adaptation finance), there is still insufficient information to determine how this manifests itself in Canada's projects connected to the $2.65 billion pledge.**

Because MDBs are the main channels for Canada's climate finance, it is difficult to provide an accurate geographic profile of all Canada's climate finance. But while multilateral mechanisms do not allow for this analysis, it is possible with bilateral climate finance. It must be noted that this represents a fairly small share of project allocations.

9.1 Country income group allocations

The 2.65 billion pledge

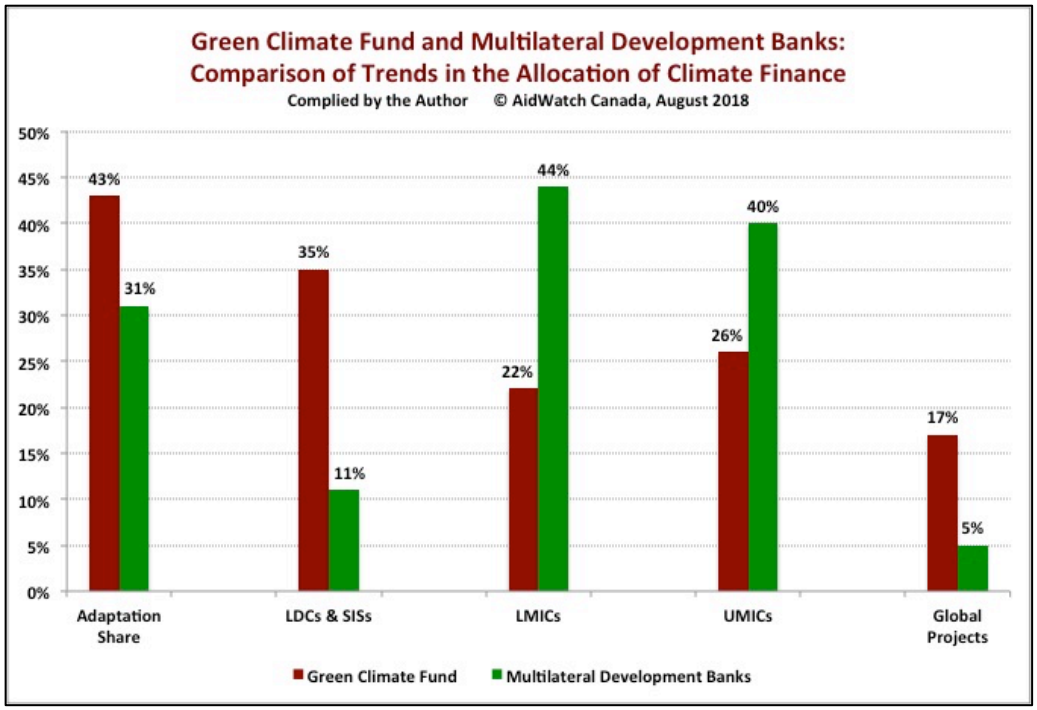
Approximately $156.2 million of Canada's $2.65 billion pledge has been allocated to bilateral projects to date. Of this amount, $100 million (64%) has been allocated to Least Developed Countries. While this bilateral record is positive, the choice to allocate most finance through multilateral institutions means that the preponderance of Canadian climate finance is going to Middle Income Countries. The degree to which this occurs depends on the individual institution (see below).

Country allocations documented for the three MDB Canadian Funds for Canada's Fast Start Finance is provided in **Annex One, Section J**. This list is likely a good predictor of the countries where future Canadian funds managed by MDBs will be based. Allocations for the documented projects financed by these Fast Start Funds indicated that 60% of the projects were in Upper Middle-Income Countries, 30% in Lower Middle-Income Countries, and only 8% in Low-Income Countries (see Section 7 below).

Canada is making a $300 million contribution to the Green Climate Fund (3.5% of the Fund's current committed funds). The geographic allocations from this Fund are more diverse than MDBs. To date, more than half of these projects (57%) are located in Least Developed or Lower Middle-Income Countries. Based on information on its website, the Green Climate Fund has allocated US$3.7 billion in

80 projects (August 2018). Approximately 57% was allocated as loan finance; 43% in grants. But for LDCs and Small Island Developing States loans made up 25% of project finance from the GCF.

Chart Six: Trends in the Allocations by the Green Climate Fund and the MDBs



Source: Author analysis of projects financed to date by the Green Climate Fund (August 2018) and the *Joint Report on Multilateral Development Banks' Climate Finance, 2017*.

As a multilateral platform for climate finance, the Green Climate Fund is performing more effectively than multilateral development banks. This is particularly in terms of its emphasis on adaptation and the level at which the GCF targets Least Developed Countries and Small Island Developing States (**Chart 6**). The climate finance of multilateral development banks has a strong presence in Upper Middle Income Countries, not surprising given the predominance of mitigation financing in their portfolios.

By combining the experiences of the Green Climate Fund with bilateral commitments and previous project allocation breakdowns for Canada's special Funds at the ADB and the World Bank's IFC, it is possible to **estimate the income group allocations for the current approved commitments for the $2.65 billion pledge:**

Least Developed Countries / Small Island Developing States: 20%

Lower Middle-Income Countries: 20%

Upper Middle-Income Countries: 31%

Global/Regional Programming: 29%

It is interesting to compare these disbursements with those made by Canada's climate finance from 2010 to 2016.

Canada's disbursements for climate finance (2010 to 2016)

Chart Seven examines the income group allocation for Global Affairs Canada's climate finance principal purpose disbursements (which have been adjusted – see **Annex One, J**). Compared to the Fast Start period (2010 – 2012) **Canada's climate finance disbursements (principal purpose, excluding global and regional projects) have increased to Least Developed and Lower Middle Income Countries (Chart Seven).** Both are particularly vulnerable to climate change impacts. These income group allocations are exclusive of global and regional allocations, which cannot be allocated by income group. The latter are about a third of all allocations in 2010 to 2012 and in 2016, and two-thirds in 2013-2015. The preliminary indications for projects financed through the $2.65 billion pledge suggest a reduced share for Least Developed and Lower Middle-Income Countries.

Canada's climate finance performance compares well in relation to DAC providers as a whole. In 2016 bilateral climate finance commitments directed to LDCs by all DAC providers represented 37% of total commitments. For Canada, it was 42%. In the same year Canada's climate finance directed to LMICs was 55%, while DAC's level was only 38%.[46]

Chart Seven: Principal Purpose Climate Finance by Income Group

Estimate for the $2.65B pledge is based on known projects commitments (Annex Two)

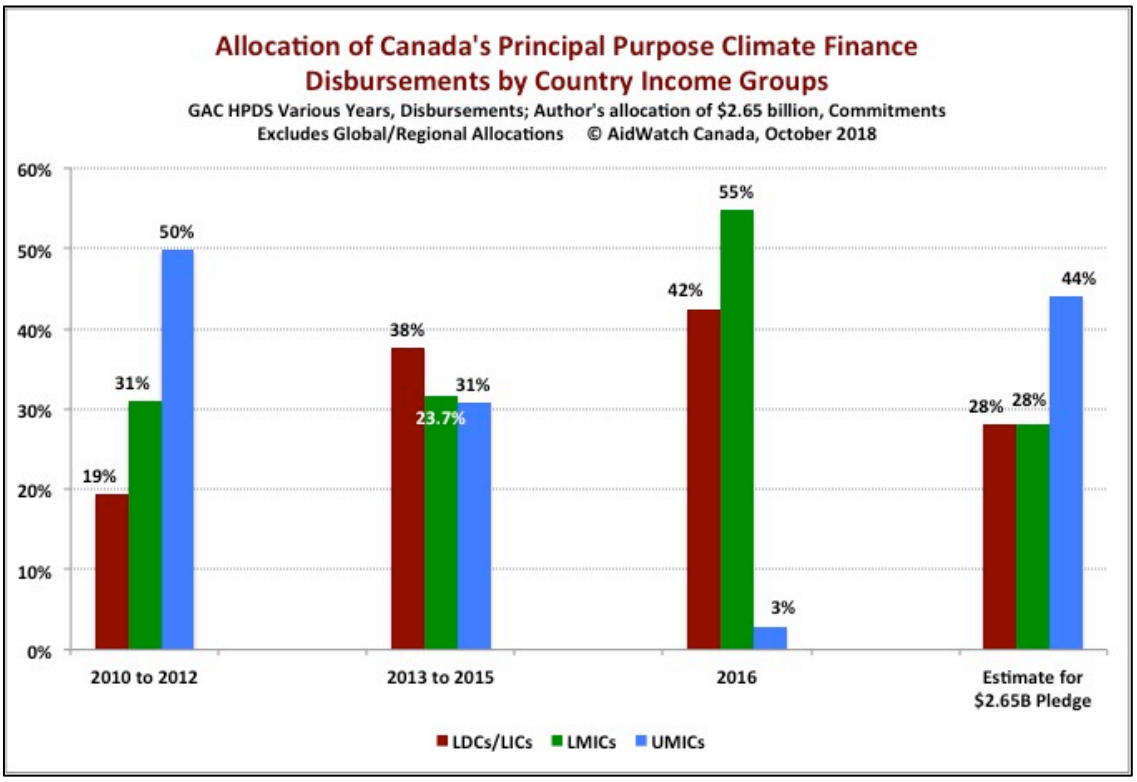


Chart Eight: Total Adaptation Climate Finance by Income Group

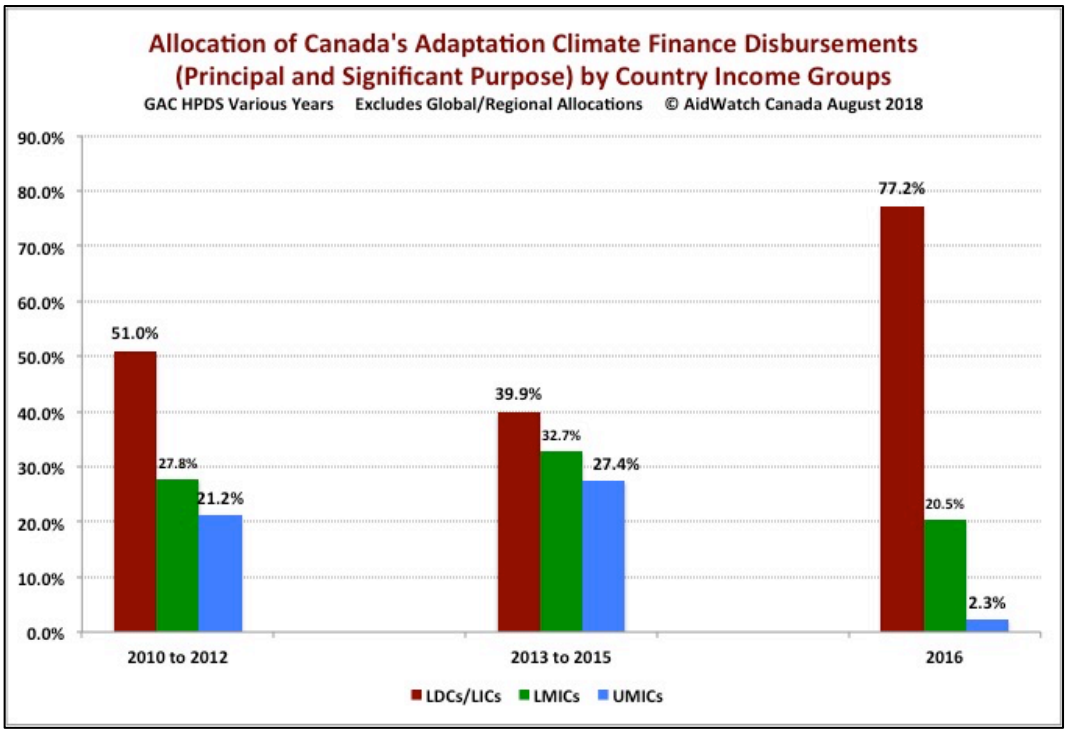


Chart Eight examines the disbursement record of total adaptation climate finance (both principal purpose and significant purpose), Global/regional allocations, which are significant, are excluded. Allocations of adaptation finance to LDCs and LMICs have a significant share of these disbursements. There is currently not enough information to predict whether current projects connected to the $2.65 billion pledge will retain this emphasis, but the track record has been positive.

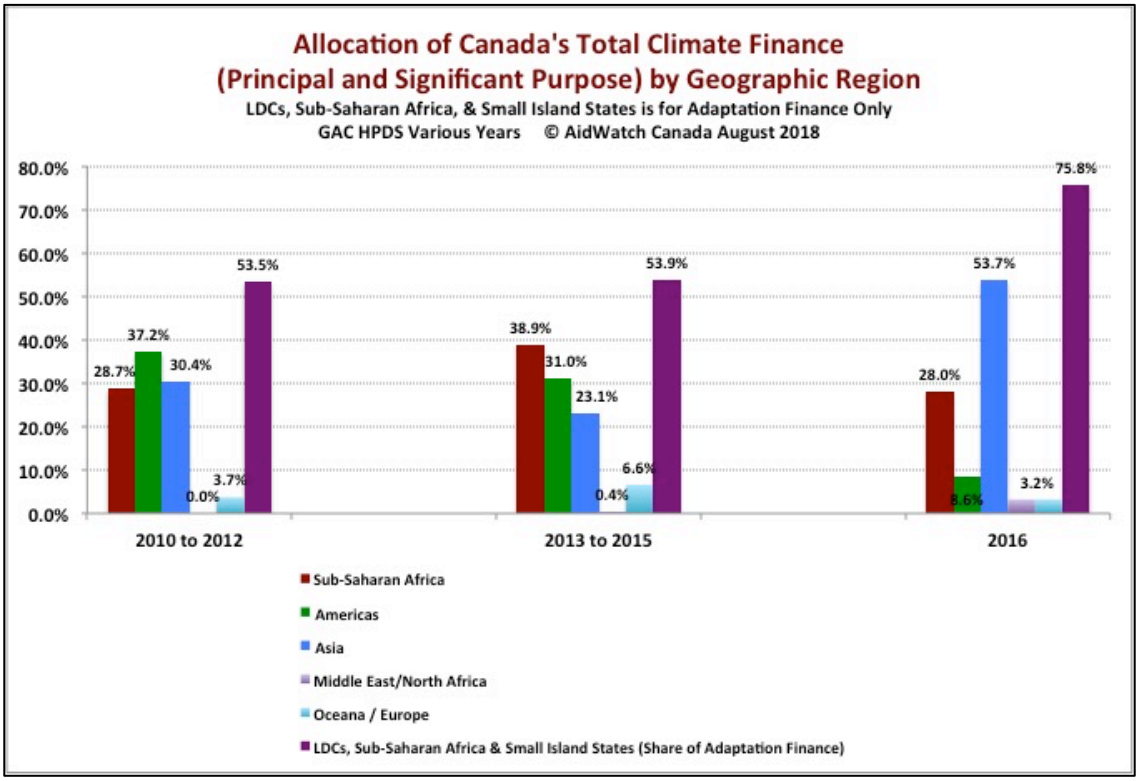
Canada's track record on adaptation finance is comparable to DAC providers. In 2016 for all DAC providers, allocations of bilateral adaptation finance to LDCs were 56% of total bilateral adaptation commitments. To LMICs it was 32%.

9.2 Geographic allocations of Canada's climate finance

Allocations of climate finance to Sub-Saharan Africa increased during the '2010 to 2012' and '2013 to 2015' periods (**Chart Nine**). But this share fell in 2016. This reduction was entirely due to the statistical effect of the approval and disbursement of the $200 million Canada Climate Fund for the Private Sector in Asia II in 2016. It is unlikely that this represents a longer-term structural change in Canada's priority for Africa. However, at present there is not enough information to confidently predict that Canada will continue its commitments to increased climate finance to Sub-Saharan Africa.

Chart Nine: Allocations of Climate Finance by Geographical Regions

Note: Allocations for Sub-Saharan Africa, LDCs and Small Island Developing States in the last section of this Chart are for adaptation only.



Strengthening the capacities of LDCs, Sub-Saharan Africa and Small Island Developing States to adapt to climate change is a strong priority for the UNFCCC. The share for these countries in Canada's total climate adaptation finance (principal and significant purpose) has increased over the three periods, primarily due to a stronger focus on Sub-Saharan Africa in 2016's adaptation disbursements. This share increased from 45% in the 2010 to 2012 period, to 61% in 2016.

Note: A list of LDCs, LMICs and UMICs, as well as Small Island Developing States, as defined by the UNFCCC, can be found in **Annex Seven**.

10. Sectoral Focus for Canadian Climate Finance

Highlights

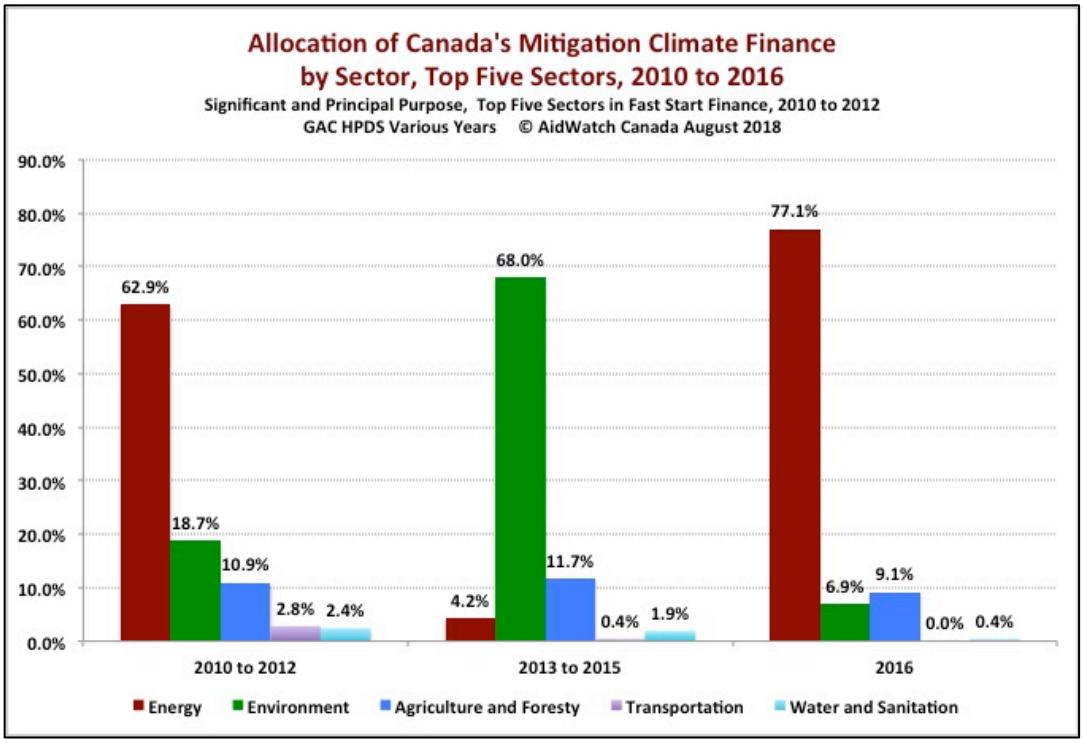
- **The sectors for energy, environmental policies and initiatives, agriculture and forestry make up most of the disbursements for Canadian mitigation and adaptation finance. Emergency responses and rehabilitation, as well as water and sanitation, are also a critical focus in adaptation projects.**
- **Agriculture is clearly an important sector for climate finance. However, the vast majority of this finance is directed to projects that are coded significant for adaptation and/or mitigation where the climate objective is only one of several other objectives.**

10.1 Sectoral focus for mitigation and adaptation

The sectoral focus for Canadian climate finance differs between mitigation and adaptation finance. Energy, environmental policies and initiatives, agriculture and forestry make up a large share of mitigation finance (**Chart Ten**).

Chart Ten: Sector Allocations for Mitigation Climate Finance

(Significant and Principal Purpose finance)



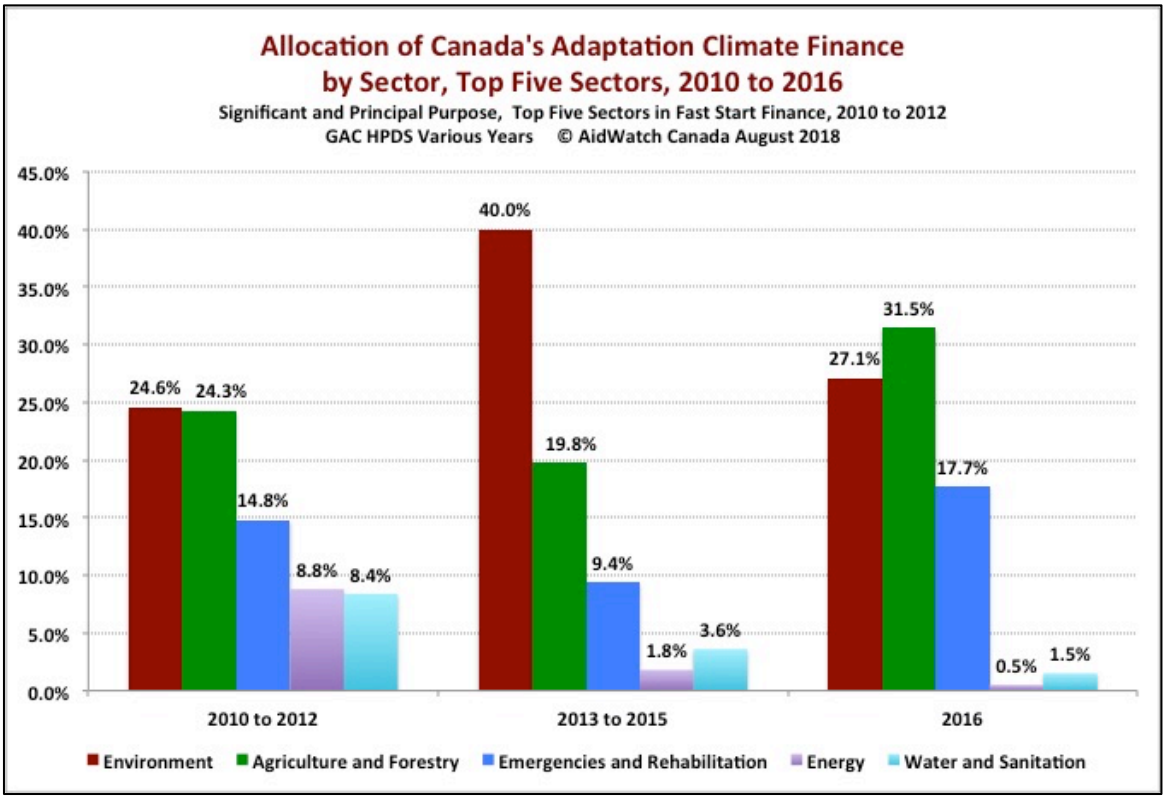
Note: The sector allocations in the Fast Start period (2010 to 2012 is the reference for top five sectors

In contrast, adaptation finance is fairly evenly spread among sectors for environmental policies and initiatives, agriculture and forestry, emergency responses and rehabilitation, energy and water and sanitation (**Chart Eleven**). This more even distribution amongst sectors is to be expected for adaptation finance, as there is a larger share of significant purpose finance in adaptation projects.

The 2013 to 2015 period represents an aberration in terms of sectoral distribution, not just because of the hiatus in climate finance for the period. The large share of environment policy and initiatives in this period is partly due to the disbursement of $168 million for the Green Climate Fund and $39.2 for the Global Environment Facility. Both have been coded to this sector purpose. Energy as a main focus for mitigation finance resumed in 2016 as part of the first investments relating to the $2.65 billion pledge.

Chart Eleven: Sector Allocations for Adaptation Climate Finance

(Significant and Principal Purpose finance)



10.2 Agriculture as a sectoral focus in climate finance

A focus on agriculture comprises a relatively large share of mitigation and adaptation finance (9.1% and 17.7%, respectively, in 2016). However, only 12% of climate finance for agriculture was directed to principal purpose projects, with 88% directed to projects where climate adaptation or mitigation was one of several objectives. This share for principal purpose agricultural projects has diminished since the Fast Start period (2010 to 2012) when it made up over two-thirds (68%) of climate investment in this sector.

In 2016, GAC disbursed $44 million for agricultural and forestry projects where climate adaptation and/or mitigation was one of several project objectives. **Annex Eight** provides a list of organizations implementing projects in 2016 with disbursements for climate finance above $400,000 that were coded significant adaptation and/or mitigation (project disbursements are reduced to 30%). International organizations and CSOs were major implementers of these projects.

In 2016, almost all the disbursements for principal purpose climate finance in agriculture were for adaptation. GAC disbursed funds ($3 million) for the Climate Smart Agricultural Project for Central America managed by the Inter-American Development Bank and for Institutional Support to the Least Developed Countries Trust Fund managed by the Global Environment Facility and the World Bank.

The Central America project builds on the experience of the IADB's 'Climate Smart Agricultural Fund for Latin America and the Caribbean' that was established in 2015. The aim of this Fund is to:

> "mobilize capital for climate-smart investments, change market risk perceptions around such investments and build a portfolio of projects which can reliably and convincingly demonstrate both commercial and environmental benefits of climate-smart business models."[47]

No information is available on GAC's support for this Fund's work in Central America.

The Least Developed Countries Trust Fund provides support for the preparation and implementation of National Adaptation Programmes of Action (NAPAs) with attention to a broad range of vulnerable sectors "that are central to development and livelihoods, notably: agriculture and food security; health; water; disaster risk management and prevention; infrastructure; and fragile ecosystems."[48]

11. Gender Equality in Addressing Climate Change

Highlights

- **The Government has committed to a strong focus on gender equality and women's empowerment in its climate finance. However, it is yet to provide a comprehensive strategy to achieve this focus. Canada is taking a leading role in developing and implementing the UNFCCC Climate Action Plan.**
- **Canada has improved its performance on the DAC Gender Marker for its significant purpose climate finance projects. But it still does not have any projects in adaptation or mitigation (as reported to the DAC up to 2016) where gender equality is the principal objective.**
- **A review of fourteen (14) 2016/17 projects reveals that while those marked significant purpose for gender equality make some mention of women, girls, or women's empowerment in project descriptions/results, there is insufficient information to assess whether they meet the criteria for gender equality marking as established by the OECD DAC GenderNet.**

The central goal for Canada's 2017 Feminist International Assistance Policy (FIAP), including climate finance, is gender equality and the empowerment of women and girls. This policy calls for "measures to support women's leadership and decision-making in climate change mitigation and adaptation efforts, resilience-building and sustainable natural resource management" as well as "employment and business opportunities for women in the renewable energy sector."[49]

In noting the importance of FIAP, the 3rd Biennial Report to the UNFCCC states, "advancing the health and rights of, and protecting and empowering, women and girls is … an overarching objective of Canada's approach to climate finance."[50] Despite this supportive statement, the Report provides no gender analysis of disbursements for climate finance reported to the UNFCCC, nor any indication that the Government will develop a strategy to realize this goal within its COP21 $2.65 billion pledge.

In April 2018, the Government published its "Submission on SBI48 Item #19: Gender Action Plan."[51] Canada played a strong role in championing the Gender Action Plan inside the UNFCCC processes. Canada is also supporting the Gender Focal Point position as an essential component of the Gender Action Plan and the development of training programs to provide negotiating skills for women officials from developing countries. Canada's Submission states that it is working to implement the FIAP in its provision of climate finance, through collaboration with bilateral and multilateral partners. It is seeking to ensure that gender-responsive indicators and the tracking of sex-disaggregated data are incorporated into all results frameworks. Yet the Submission gives no indication of pro-active strategies to implement its gender equality objectives in its climate finance commitments.

Women's empowerment and gender equality are critical for progress in all aspects of climate adaptation and mitigation. Across the globe, women play central roles in agriculture and must take leading roles in adopting climate resilient agricultural practices. According to Sophia Huyer, the Gender and Social Inclusion Leader for the CGIAR Climate Change Agriculture and Food Security Program, climate adaptation practices are more transformative for women,

> "when women participate in decision-making about agricultural production in the household, whether its their own production or their husband's production. It is more transformative when women's income increases and they have control of assets and resources, including money, but also in terms of the inputs to agriculture and the proceeds of agriculture. … When it decreases women's workload, it's transformative. … Agricultural technologies for women tend to be unimproved technologies, and in fact, they tend to be very, very old technologies. So they tend to be hand hoes or they tend to be pails to carry water in. … So there needs to be some improvement in that way so that women's workload is less onerous, it's less heavy on the body and it's more efficient."[52]

In relation to climate mitigation initiatives, project initiatives tend to ignore small-scale projects on clean development mechanisms that might benefit women. Women are often disproportionately vulnerable to climate change impacts due to political and socio-economic marginalization. Climate finance initiatives must take into account and complement the achievement of critical SDGs for gender equality and women's empowerment. Better data is essential to creating greater awareness of gender issues and accountability for climate impacts affecting women and girls in large energy infrastructure projects.[53]

In its implementation of the FIAP, the Government has committed to allocate at least 15% of Canadian ODA to projects where gender equality and women's empowerment is the principal goal and objective (DAC gender equality marker for principal purpose) by 2020. Another 85% of projects are to have gender equality and women's empowerment as one amongst other goals and objectives (DAC gender equality marker for significant purpose).

The DAC Gender Equality Marker is an important but imperfect measure of the degree to which providers are including and realizing gender equality objectives in their development and climate programs.[54] A major issue, similar to the Rio Marker for Climate Finance, is that significant purpose gender equality projects are counted at 100% of their budget even though only one objective of the

project may relate to gender equality. This calculation is based on the unproven assumption that gender equality has been mainstreamed into the project.

According to this gender equality marker, Canada has improved its performance since the Fast Start period (2010 to 2012). **Table Six** sets out this performance as a share of total climate finance for adaptation and for mitigation:

Table Six: Canadian Climate Finance Performance for the DAC Gender Marker

Adaptation **Canada (All DAC Providers)**	**2010 to 2012**	**2013 to 2015**	**2016**
Gender principal purpose	0.0% (3.5%)	1.4% (3.7%)	0.0% (7.4%)
Gender Significant Purpose	15.5% (32.6%)	72.2% (41.2%)	73.6% (46.5%)
Gender No Objective	84.5% (63.9%)	26.4% (55.0%)	26.4% (46.1%)
Mitigation	**2010 to 2012**	**2013 to 2015**	**2016**
Gender principal purpose	0.2% (1.3%)	0.0% (2.0%)	0.0% (3.0%)
Gender Significant Purpose	18.6% (13.2%)	68.6% (18.3%)	85.2% (22.4%)
Gender No Objective	81.2% (85.5%)	31.4% (79.7%)	14.8% (74.6%)

Table Notes: Source: OECD DAC CRS (2016) and DAC Recipient Perspective Climate Finance (accessed July 2018) Significant Purpose Climate Finance @ 30% commitment; Principal purpose climate finance at 100% commitment; Significant purpose and principal purpose gender equality marker included @ 100% of project budgets.

Table Six gives an overview of Canada's climate finance performance against the FIAP goals. There has been an improvement in gender equality coding for significant purpose gender equality in projects since the Fast Start period (2010 - 2012). But there has been virtually no climate finance project for adaptation or mitigation where gender equality is the principal purpose of the project. This latter observation is very worrying as these gender principal purpose projects are often a proxy for the degree to which providers are serious in mainstreaming gender equality issues in their ODA, including climate finance.

It is difficult to determine whether gender equality has actually been mainstreamed in projects, particularly when it is identified as one amongst several objectives. One imperfect indicator of mainstreaming is to examine the degree to which women, girls and/or gender equality are mentioned in the GAC description and/or results for projects posted in the GAC project browser and marked gender significant purpose.[55]

A review of 14 projects from 2016/17, for which there is browser data, indicates that there is some consideration of gender outcomes in nine (9) projects, no mention in two (2), and some indication (maybe's for two) (See **Annex Nine**). The OECD Gender Network's Guidance for significant purpose gender objectives calls for the disaggregation of data on women as beneficiaries, a gender analysis that has informed the project design and at least one gender-specific indicator, which is pro-actively

monitored. There is insufficient information to assess these aspects for projects marked significant purpose, gender equality.

12. Channels for Delivery of Canadian Climate Finance: The role of CSOs

Highlights

- **Multilateral channels predominate in the delivery of Canada's climate finance. They made up almost 80% of disbursements in 2016/17.**
- **Multilateral channels include Canada's special funds at International Development Banks that finance climate mitigation with private sector partners. If these funds had been reallocated to the private sector channel, in 2016/17 the private sector channel would be responsible for more than 51% of Canada's climate finance disbursements.**
- **CSOs have a growing profile in Canada's climate finance. However, almost all these activities are concentrated in projects where climate change is one objective amongst several others, and in activities that address adaptation.**
- **There have been no disbursements for principal purpose climate finance projects implemented by CSOs since 2012.**

12.1 Overview of delivery channels for Canada's climate finance

Not surprisingly, multilateral channels have been the primary modality for the delivery of Canada's climate finance (**Chart Twelve**). In 2016/17 almost 80% of Canada's disbursements for these purposes were through multilateral institutions, primarily the Asia Development Bank.

The ADB's 2016/17 disbursement is the second phase of a special Canadian Fund devoted to the mobilization of private sector resources. If this Fund is reallocated to the private sector channel for climate mitigation, then the private sector channel will become responsible for the delivery of more than 50% of climate finance disbursements in 2016/17. While not included in **Chart Twelve**, similar shifts would be apparent if IFI disbursements in the previous periods were likewise re-allocated.

If climate finance is disaggregated according to adaptation and mitigation purposes, the deployment of climate finance through different channels becomes even sharper. While multilateral channels are still the main modality, there is a growing balance between these channels and CSOs for adaptation. For mitigation, multilateral channels remain the exclusive modality since 2010 (**Charts Thirteen and Fourteen**).

Chart Twelve: Channels for Delivery of Canada's Climate Finance

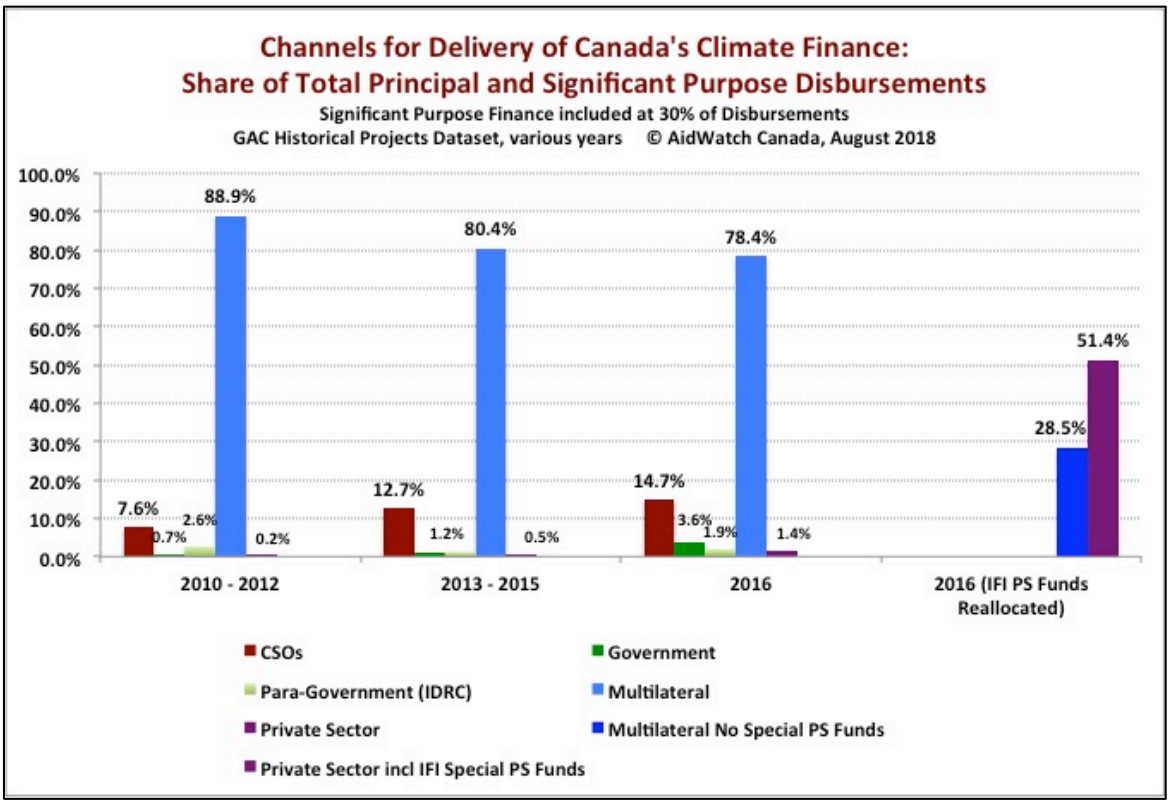


Chart Thirteen: Channels for Delivery of Canada's Adaptation Climate Finance

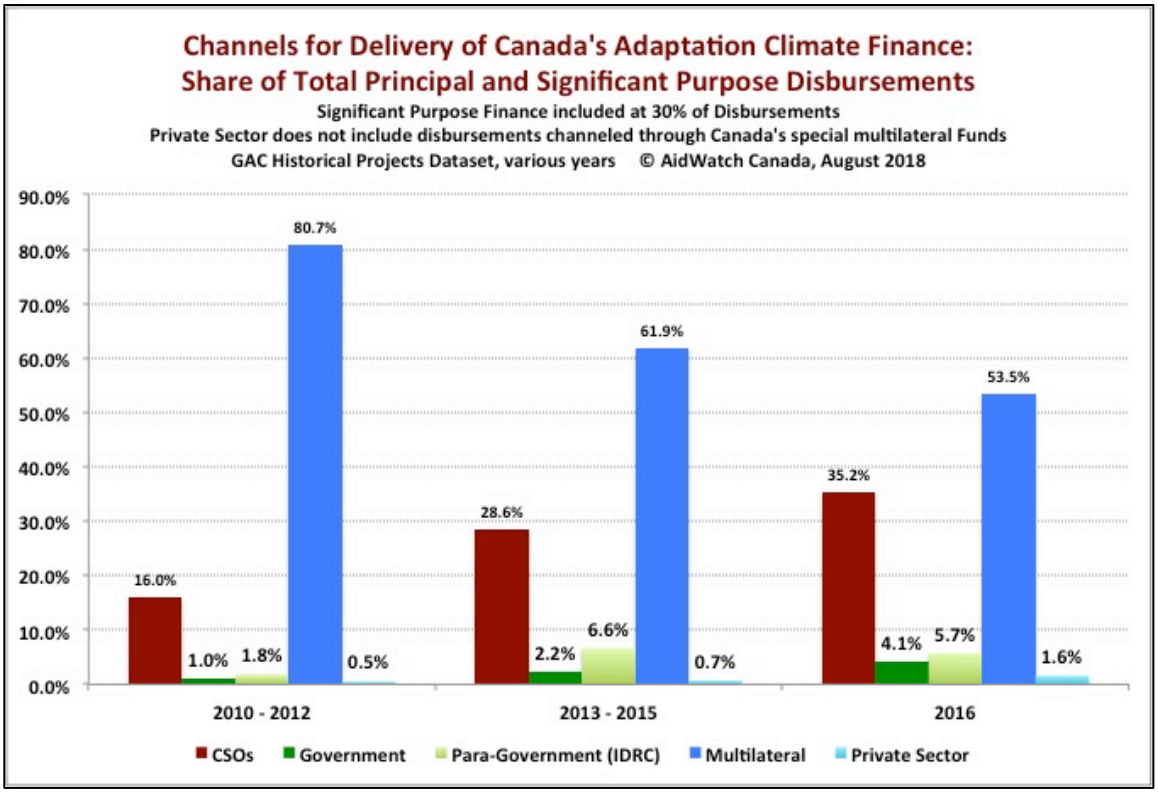
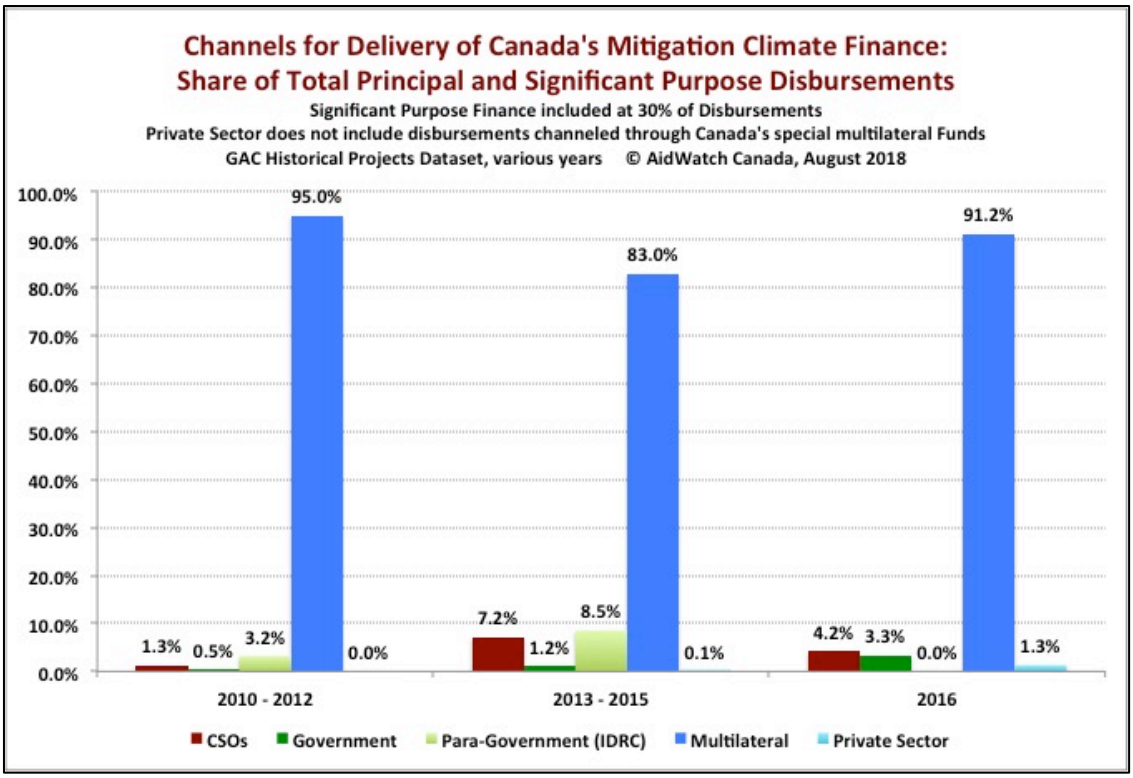


Chart Fourteen: Channels for Delivery of Canada's Mitigation Climate Finance



12.2 CSOs as channels for Canadian climate finance

Canadian and Foreign Civil Society organizations (CSOs) are increasing playing a larger role in climate finance projects since the Fast Start period, 2010-2012. Approximately 15% of disbursements were delivered through CSOs in 2016/17 (**Chart Twelve**), almost all of which were directed more towards adaptation (35% of total adaptation finance in 2016/17) than mitigation (4.2% of total mitigation in 2016/17) (See **Charts Thirteen and Fourteen**).

While there has been an improved profile for CSOs in the delivery of climate finance, there is an important caveat: The vast majority of this finance has been restricted to significant purpose projects, where climate adaptation or mitigation is just one of several objectives. Indeed, in 2016/17, more than 50% of all climate finance projects marked significant purpose were implemented by CSOs (**Chart Fifteen**). These significant purpose projects for climate are also very concentrated in adaptation, which make up more than 80% of CSO activities in relation to climate change (**Chart Sixteen**).

But CSOs have had little or no role in principal purpose projects. In fact, CSOs have not implemented any principal purpose projects in GAC disbursement statistics since 2012.

Chart Fifteen: CSO Principal and Significant Purpose Climate Finance

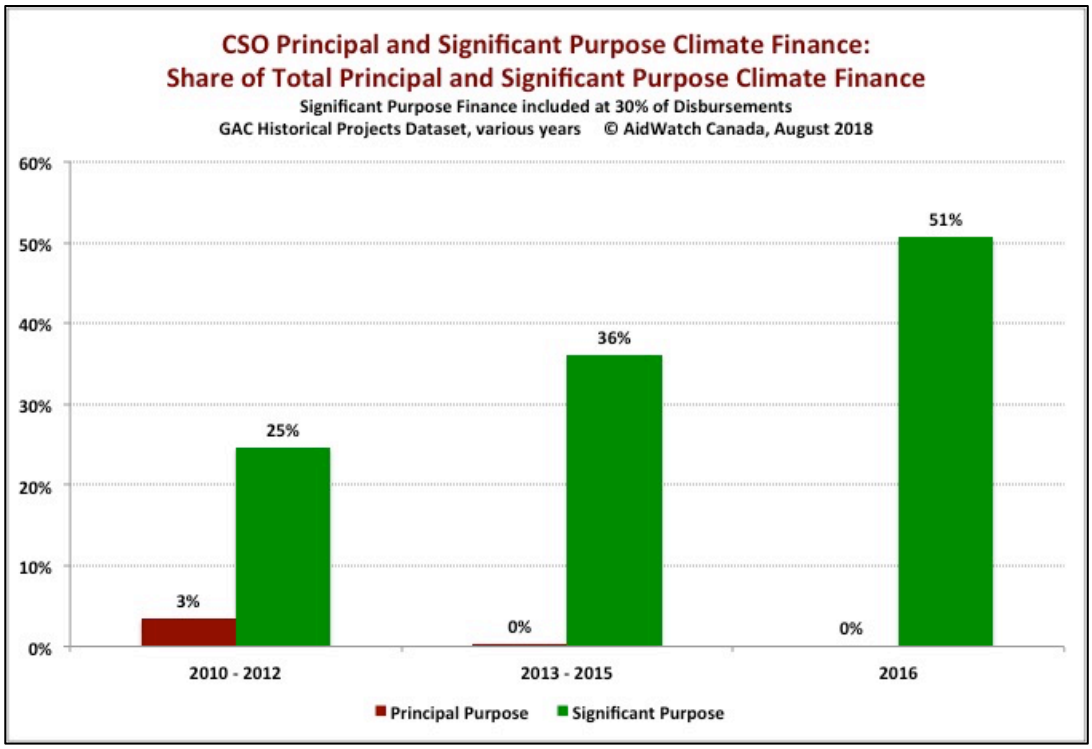
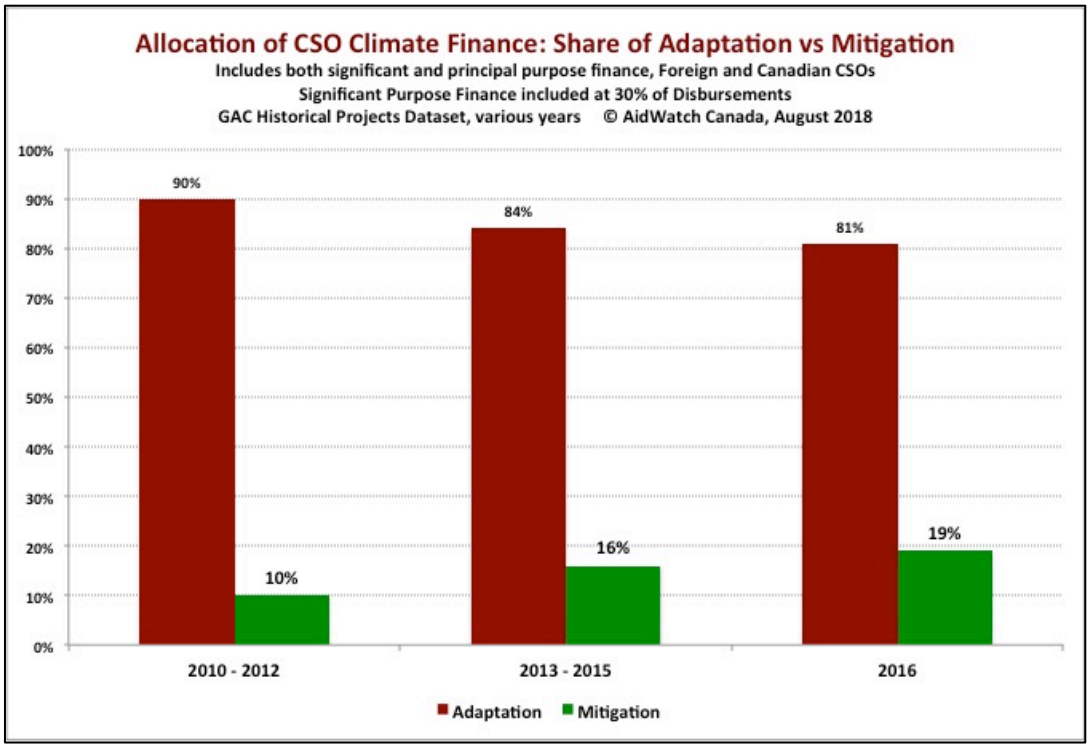


Chart Sixteen: Adaptation and Mitigation in CSO Climate Finance



The engagement of Canadian CSOs in the implementation of Canada's $2.65 billion Paris pledge is likely to repeat these patterns. CSOs are likely to have minimal engagement in principal purpose projects.

Of the $155.3 million in known bilateral commitments (**Annex Two and Three**), only one project can be identified as clearly involving CSOs or institutions in their implementation ($6.0 million for Haiti in support of an Action Plan for Clean Energy with the United Nations Foundation [#26]).

While relatively modest, Canadian CSO engagement in climate related activities compares favourably with the pattern for CSOs globally. **Table Seven** provides an overview of channels for delivery for OECD DAC donors as derived from commitments reported by these donors, including Canada.[56]

Table Seven: Channels for Delivery of OECD DAC Adaptation Climate Finance, 2012 to 2016 cumulative total of principal purpose and significant purpose projects

Share of	Government	CSOs / NGOS / Institutions	Multilateral Organizations	International Finance Institutions	Private Sector
Adaptation Finance	52%	18%	12%	5%	8%
Mitigation Finance	74%	4%	10%	5%	1%
Total Climate Finance	68%	9%	10%	5%	8%

OECD DAC CRS Provider Perspective Climate Finance; Both principal and significant purpose adaptation finance; Significant purpose climate finance adjusted to 30% of commitment; Loans included at 2016 grant equivalence rate. Author's calculations.

Canadian CSOs enjoy a larger share in Canada's adaptation finance at 35% (**Chart Thirteen**), compared to 18% for CSOs/NGOs in all OECD DAC donor adaptation finance (**Table Seven**). There is an equivalent performance at 4% for mitigation finance (**Chart Fourteen**), but at 15% of total climate finance (**Chart Twelve**), Canadian CSOs exceed the OECD DAC average of 9%. CSOs globally are concentrated in significant purpose finance as is the case for Canadian CSOs. (Note: The statements in this paragraph are based on two different data sets, but the overall trends are valid.)

An overview of Canadian CSO projects relating to climate finance

As noted above, the majority of Canadian CSO engagement in climate finance focuses on projects where climate adaptation (and sometimes mitigation) is one of several project objectives. Based on GAC's Historical Projects Dataset, an annual average of 46 CSOs, mainly Canadian but also some foreign, have been involved in implementing approximately 70 projects since 2010. (See the list of CSO projects in **Annex 10**) However, disbursements are highly concentrated, with seven CSOs[57] being responsible for more than 57% of the total CSO climate disbursements.

Sector allocations:

Canadian CSO climate finance has also been concentrated in certain primary sectors, such as agriculture, emergency food aid, and multi-sectoral programs. **Table Eight** presents the sector breakdown of CSO climate disbursements from 2010/11 to 2016/17.

Table Eight: Sector Allocation of CSO Project Disbursements

Sector	2010/11 to 2012/13 (Fast Start)	2013/14 to 2015/16	2016/17
Agriculture	31%	38%	34%
Emergency Food Aid	28%	24%	17%
Multi-sector Programs	14%	17%	14%
Basic Nutrition	--	6%	8%
Food Aid	--	--	5%
Small, Medium Enterprises	1%	3%	7%
Forestry	4%	2%	2%
Water Sector	6%	1%	1%
Disaster Preparedness	5%	2%	1%
Emergency Responses	3%	--	5%
Other Sectors	8%	7%	6%

Source: GAC Historical Projects Dataset, various years. Note that sectors above have been allocated by the author based on a review of the main DAC sector codes for each project. Projects can be coded to many sector codes up to 100%. The data in this Table differs from data in Section 10, which compiles individual sector codes unrelated to any given project.

An emphasis on agriculture and related food security concerns is evident in CSO projects, commanding more than 50% of disbursements for climate finance in any given year. At the same time, a review of the projects in **Annex 10** reveals that many smaller projects focus on a range of sectors. The information in the GAC Databases on the content of these projects is insufficient to justify an assessment of the quality or approach to climate adaptation/mitigation as cross-cutting issues embedded in any given CSO project.[58]

Allocations by income groups and geographic regions

CSOs compare quite favourably in their allocations of climate finance to Least Developed / Low Income Countries, when measured against total Canadian climate finance. At least 57% of CSO climate finance has been allocated to these countries since 2013, compared to 36% for total climate finance. (**Chart Seventeen**)

Similarly, CSOs show good performance in their allocation of climate finance to Sub-Saharan Africa, LDCs and Small Island Developing States. CSOs consistently distribute more than 60% of their climate finance to these priority regions. (**Chart Eighteen**) Sub-Saharan African countries received 60% of CSO climate finance in the period 2013 to 2015, and 53% in 2016.

Chart Seventeen: Comparative Allocation of CSO Climate Finance by Income Group

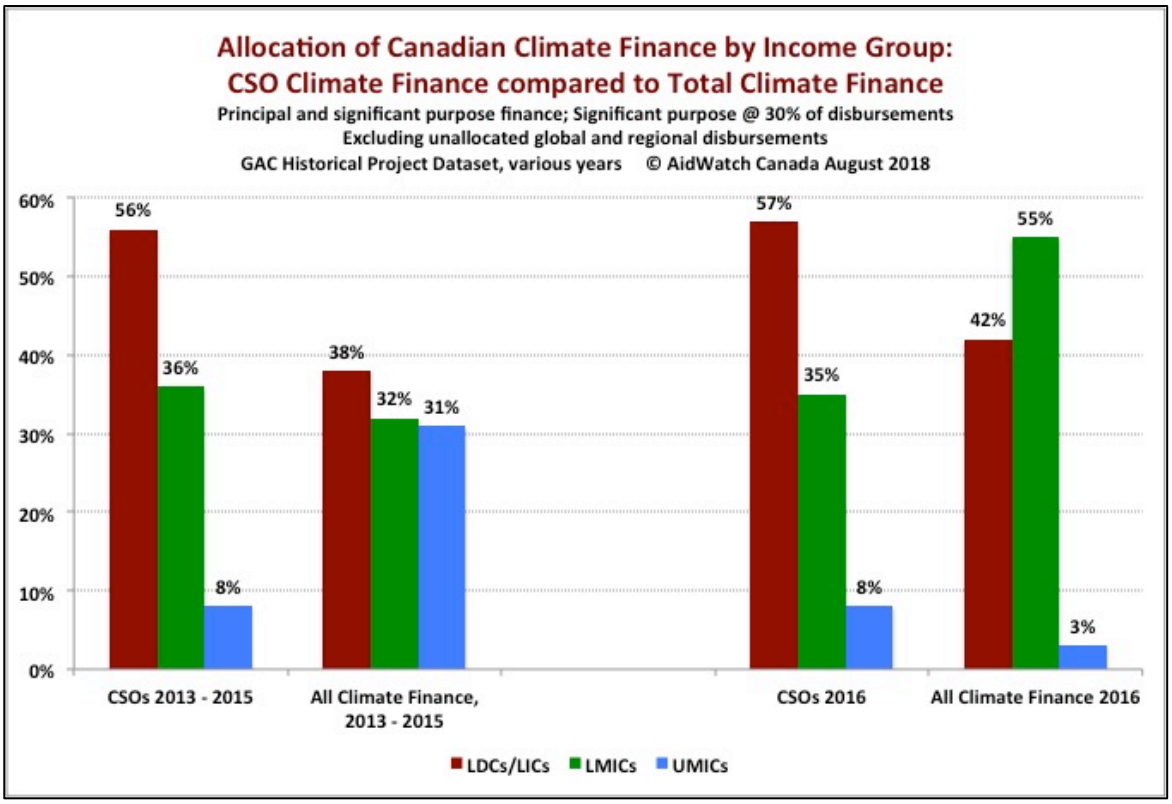
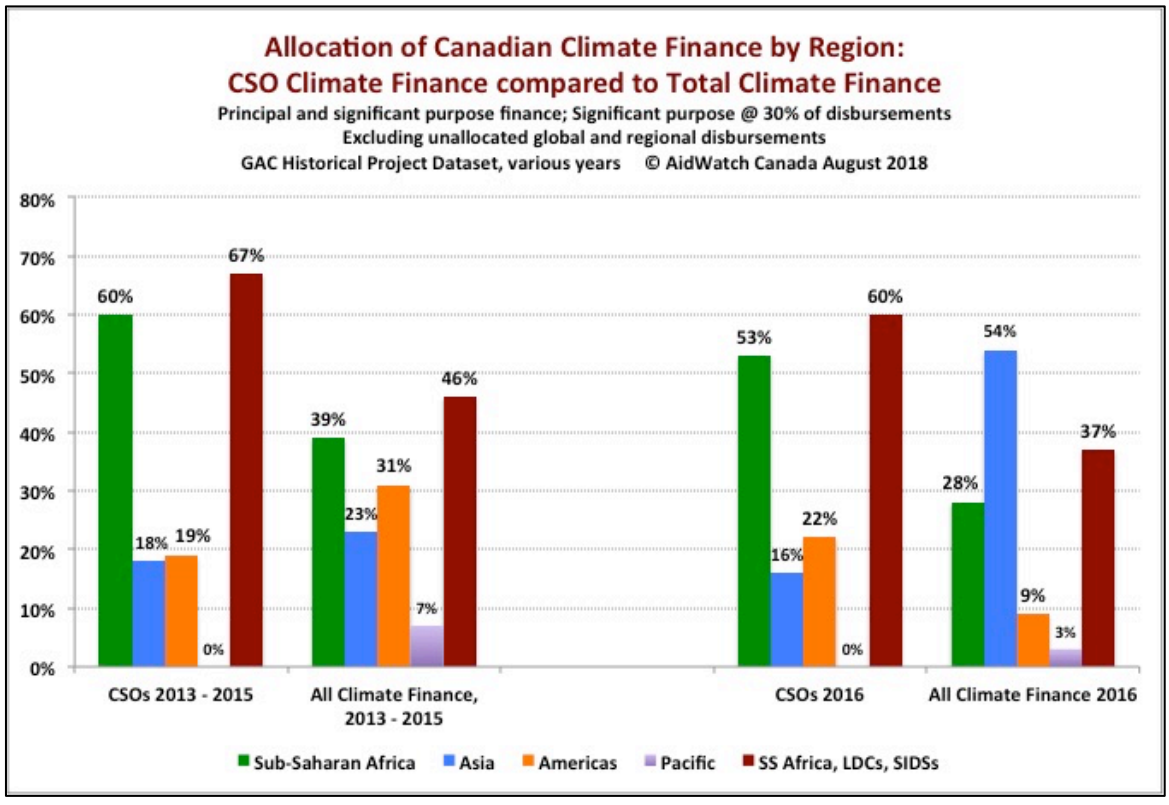


Chart Eighteen: Comparative Allocation of CSO climate finance by region



In making these comparisons, it is important to emphasize that CSO climate finance is primarily made up of significant purpose climate finance, with only a small allocation to principal purpose finance. If compared to total Canadian significant purpose finance, there are few differences (in part because CSOs also make up a large portion of significant purpose finance as a whole).

Conclusions

The overarching conclusion is a mixed record for Canada's climate finance to date. The Government's commitment of $2.65 billion of Canada is woefully short of its fair share of the US$100 billion in climate finance that developed countries have promised to mobilize by 2020, to assist developing countries already struggling to withstand the impacts of climate change. Canada can do much better in balancing adaptation and mitigation in its allocation of the balance of the $2.65 billion Paris pledge. Moreover, Canada needs to begin planning now, to ensure its post-2020 climate finance is aligned with its Feminist International Assistance Policy and the Sustainable Development Goals. In doing so, Canada must make use of a greater diversity of channels to achieve an allocation of climate finance that responds to the needs and capacities of vulnerable populations and meet its gender equality targets.

The need for climate finance is urgent and growing. Evidence from recent global negotiations points to limited ambition to meet even existing commitments in implementing key parts of the Paris Agreement, such as compensation for loss and damage in developing countries from climate change.

Canada's climate finance investments have earned it a position of leadership in international climate finance. In order to realize the greatest returns from those investments, Canada must now join with like-minded countries in optimizing its investments and the impact of these investments for poor and vulnerable countries and people, and raising ambition for the post-2020 period. The Government of Canada should consult and develop a comprehensive strategy for ways that its climate finance for mitigation and adaptation can meet this urgency in fulfilling the aspirations of the *Paris Agreement* and the Sustainable Development Goals. The Government should commit to a target of 50% of finance for principal purpose adaptation initiatives that address the needs of vulnerable people and countries.

The Government should set out specific strategies to embed gender equality objectives in all of its climate finance, consistent with the FIAP targets. It should ramp up the annual budget for both ODA and climate adaptation/mitigation finance, starting in 2019/20, to avoid ODA-able climate finance taking away from ODA for other purposes.

And finally, it should set out a new financing commitment for the post-2020 period that is equal to its fair share of global targets, as well as Canada's relative wealth and its global responsibilities

Annex One

Methodological Notes

A. Sources of Information

The data sources for this analysis of climate finance are the following:

a) Canada's biennial reports to the UNFCCC (in particular the recent Third Biennial Report);

b) Environment and Climate Change Canada's website on Canada's Climate Finance with detail on all climate finance projects. But as of August 2018, this site has not been updated since August 2017.[59] In September 2018, officials from Environment and Climate Change Canada provided a list of announced projects/programs related to the $2.65 billion finance commitment. This list informed Annex Two and Three.

c) Global Affairs Canada's Project Browser[60] and the Historical Project Dataset.[61] The Browser has detailed information on all projects funded through Global Affairs Canada, including total project budget as a multi-year commitment. Unfortunately the Browser has very few recently approved climate finance projects since 2016. The Historical Project Dataset provides detailed annual disbursements information for each ODA project financed by GAC (and since 2016/16 for all Departments). The author is grateful for an advanced preliminary version of the 2016/17 dataset, which informs this Report's analysis.

d) OECD DAC's annual reports on provider climate finance.[62] These reports are derived from providers' annual ODA reports to the DAC Creditor Reporting System (CRS) and are based on the Rio Marker System (see below) with climate finance the principal purpose and climate finance a significant purpose among other purposes. Loans are adjusted to their grant equivalency basis, as is the current practice of the DAC. Loans for all years are adjusted using the DAC calculation of grant equivalency for 2016. See the Table 20 on Financial Terms of ODA Commitments at here.

e) Internet searches for specific Canadian climate finance projects.

B. Rules for determining the level of finance in projects marked through the DAC Rio Marker

Most of the analysis of climate finance is based on provider reports to the DAC CRS (see above) against the Rio Marker for climate change adaptation and climate change mitigation. More information on the Rio climate policy marker can be found here and here. The project commitment or annual project disbursement marked climate change adaptation or mitigation is reported in full to the DAC. There are two issues that arise.

First, projects where only part of the project is relevant to climate finance (significant purpose projects) need to be adjusted to reflect only the climate finance portion. However, there are no agreed rules for doing so. Providers have different practices, and Canada recently agreed that 30% of the commitment/disbursement for projects marked significant purpose would be counted as climate finance.[63] Given the impossibility of examining each project individually, this proportion seems reasonable (and was used by the author for the 2017 Benchmark Report prior to Canada adopting this rule).

Second, the same project may be marked both climate finance adaptation and climate finance mitigation, which will create a situation of double counting if such finance is added without adjustments.

Accordingly AidWatch Canada datasets for climate finance are adapted with the following rules:

a) Only concessional (grants or loans) are included.

b) Allocations of the Rio marker for principal purpose and significant purpose climate finance allocated to either adaptation and/or mitigation are calculated along the following lines to avoid double counting:

Principle Purpose:

i. Principle Purpose / Not Targeted – Counted at 100% principal purpose for either adaptation or mitigation

ii. Principal Purpose / Principle Purpose – Counted at 50% for adaptation and mitigation

iii. Principle Purpose / Significant Purpose – Counted at 100% for principle purpose only and not significant purpose.

Significant Purpose:

i. Significant Purpose / Not Targeted – Counted at 30% of significant purpose amount

ii. Significant Purpose / Significant Purpose – Counted at 30% of significant purpose amount, divided equally between adaptation and mitigation

iii. Significant Purpose / Principal Purpose – Not included in significant purpose allocations as it is already counted as principal purpose (see principal purpose [iii] above).

C. Using the DAC Climate Database for comparisons to other providers

In order to compare provider commitments to climate finance, AidWatch Canada uses the DAC Climate Databases. It analyzes only ODA-reported climate finance, using the **provider perspective**, for years 2012 to 2016. This database and a DAC methodological note can be found at here.

The 'provider perspective' includes all donor bilateral commitments for climate finance, plus pro-rated donor non-earmarked contributions to multilateral funds and financial institutions, which can be related to climate finance. The latter is calculated by the DAC based on the share of disbursements by these institutions for climate finance. The share for each organization can be found here. These imputed multilateral allocations are then attributed to each donor, but unfortunately are not allocated to adaptation or mitigation through the Rio Marker. The latter makes it impossible to assess total allocations to adaptation and mitigation for providers.

These imputed multilateral contributions in the 'provider perspective' do not indicate climate finance disbursements made by these multilateral institutions, including those that are made from their own internal financial resources (income from previous loans, etc.).

All DAC data is commitment basis (total project budget). Donors report commitments in the year that they are made, while disbursements may take place over several subsequent years. To date, the DAC does not report climate finance on a net disbursement basis. Gross disbursements for climate finance (including the full value of loans, but not any repayments of loans) can be accessed directly from the DAC CRS by sorting project level data for the climate finance policy markers.

The DAC also provides climate finance on from a **recipient perspective**. The 'recipient perspective' measures all bilateral climate finance received by recipient countries (similar to the 'provider perspective'), but also climate related outflows from multilateral organizations. In order to avoid double counting, only multilateral disbursements made out of their own internal resources, are counted in the 'recipient perspective,' not provider flows to multilateral institutions. Recipient perspective data are available from 2010.

Because of this limitation with the recipient perspective, AidWatch Canada uses the 'provider perspective' as this orientation is the usual purpose of the analysis. Also the analysis excludes non-DAC members reporting to the CRS and focuses on concessional grants and loans (excluding a few non-concessional flows from some donors as these flows are not consistently reported by all providers to the DAC against the Rio Marker.)

See the methodological note by the DAC on the differences between the 'provider perspective' and the 'recipient perspective' here.

All **concessional loans** are re-calculated on an estimated "grant equivalent basis." The grant equivalent basis will be the method for reporting ODA loans to the DAC CRS from 2018 onward. A DAC background paper on the grant equivalency basis can be found here and an estimate for the grant equivalent basis for loans by select donor countries for 2016 can be found here (Table 20 on Financial Terms of ODA Commitments). The ratios from this table have been applied to climate loans for all years with the assumption that donor loan policies will be relatively consistent between years. The donors that commonly include loans in their climate finance include:

Belgium – 87.9%
Canada – 17.8%
France – 53.8%
Germany – 46.5%
Italy – 94%
Japan – 78.7%
Korea – 87.5%
All other donors – 65.7% (based on an average of all donors

D. Multilateral institutions data for climate finance

A full picture of multilateral institutions commitments and disbursements can be found in the annual *Joint Report on Multilateral Development Banks' Climate Finance*. The 2017 Report can be found here.

E. Summary of Canada's Climate Finance

a) Project commitments under the $2.65 billion pledge This data is a compilation from C4D ongoing Climate Finance Tracking (last version March 2018), projects listed as principal purpose (mitigation or adaptation) in the GAC Historical Project Dataset (2016/17), commentary and projects listed in Canada's 3rd biannual report to the UNFCCC, and the CRS climate finance projects for Canada (2016). Additional information has been compiled from the Internet, based on a search for projects and/or programs to which Canada has contributed. This information was reconciled with a list of announced commitments against the $2.65 billion commitment, provided by ECCC in September 2018. Nevertheless, the research was hindered by the fact that the ECCC climate finance webpage has not been updated since August 2017 and many current projects are not yet available on the GAC-managed Project Browser. Amounts are multi-year commitments.

b) Canada's Biennial Reports to the UNFCCC Due to incomplete data in some reports and the change from fiscal year to calendar year for 2015 and 2016 in the 3rd Biennial Report, the data for years is not completely comparable. The sources are the following: Canada's Sixth National Report on Climate Change 2014, Tables 7a and 7b (pages 251 to 271; Canada's Second Biennial Report to the UNFCCC, Tables 6.1 and 6.2, page 22; and Canada's Third Biennial Report to the UNFCCC, Tables 6, 7 and 8, pages 226 to 255. The data includes both principal purpose and significant purpose climate finance. For some years, significant purpose project calculations have been added based on the OECD CRS+ Climate Change Purpose Marker in the DAC CRS database. All significant purpose projects have been converted to 30% of their commitment budget, as is now Canada's practice for 2015 and 2016. Data for 2014/15 and earlier years do not include a climate share of core support for multilateral organizations. Amounts are annual disbursements.

c) Disbursements from the Historical Projects Dataset (HPDS) This dataset is published each year in August for the previous fiscal year. The HPDS provides statistical information on purpose codes, recipient countries, implementing partners and sector priorities for each project disbursement for that fiscal year.

The latest version for 2016/17 has been revised to include not only disbursement for international assistance by GAC, but also by other federal departments such as the Department of Finance (World Bank and IMF) and Environment and Climate Change Canada. For the HPDS prior to 2016/17, disbursements for Canada's climate funds at the World Bank IFC by the Department of Finance have been added. The calculation of disbursements of

climate finance for this Report excludes general core replenishments for International Financial Institutions and UN organizations, except for the GEF, which is consistent with the approach to accounting for the $2.65 billion commitment by the Government. All disbursements are adjusted according to the rules for the Rio Marker set out above. For 2016/17 disbursements, the Canada Climate Fund for the Private Sector II was recorded by GAC as both adaptation and mitigation, but AidWatch Canada records this project as only mitigation.

F. Determination of additionality for Canadian climate finance

There are no benchmarks for Canadian ODA performance that have been set out by the Government. It is therefore not possible to determine whether the allocations to Canadian climate finance are additional to what would have been provided as ODA. AidWatch Canada uses a proxy for determining additionality. This proxy looks at whether climate finance has been provided by supplementary estimates for each government department during the fiscal year. There are three sets of supplementary estimates each year. These estimates provide additional spending capacity for government departments beyond their original estimates that are approved by Parliament following the adoption of the annual Federal Budget. They are additional spending for each department, but are drawn from government budgetary reserves each year for unforeseen expenditures.

G. Calculation of Canada's fair share of international finance

Canada's fair share is based on the share of Canada's GNI in the total GNI for all DAC providers. This information is available in DAC Table DAC1 accessible here. In 2017, the latest available information on GNI, this share was 3.7%, but the average share since 2010 remains at 3.9%. The Benchmark Report noted that recently Canada committed 3.36% of the latest replenishment (IDA 18) of the World Bank's International Development Association (IDA) window for the poorest developing countries. This share was down from 3.89% for the IDA 17 replenishment.

Comparison with other providers for current shares in climate finance is based on the DAC CRS climate finance statistics, recipient perspective for 2010 to 2011, and provider perspective for 2012 to 2016. Loans for all years are adjusted at the 2016 Grant Equivalency rate (See section 1 in this Annex). The table excludes recent DAC members -- Czech Republic, Iceland, Poland, Slovenia and Slovak Republic.

The calculation of a provider generosity is based on the same DAC dataset based on principal purpose climate finance, which is a close indicator of commitments relating to the 2005 Paris climate agreement. The level of generosity is the share of principal purpose climate finance in total Gross National Income for the year concerned. This data is cumulated in three-year periods for 2010 to 2012 and for 2013 to 2015. It is a comparable calculation to the performance assessment for ODA, which is the share of ODA in a providers' GNI, with a target of 0.7% of GNI.

H. Adaptation as a Share in Canada's Climate Finance

This section uses the list of projects approved within the $2.65 billion commitment (Annex Two and Three) to determine the current balance in this commitment. The text suggests several adjustments of projects coded to adaptation with multilateral banks that is explained in more detail in Section 8. The balance based on the HPDS uses the adjusted dataset (See 5c above). The OECD DAC dataset has not been adjusted for Canada for particular projects (as has been the case for the HPDS) beyond the common adjustment for the Rio Marker that is applied to all providers.

I. Adaptation / Mitigation for the Canadian Special Funds at the Multilateral Development Banks

The HPDS have been adjusted for the Fast Start Period (2010 to 2012) according to a review of the actual projects financed by these Funds (See Addendum Two).

- The Canadian Climate Fund for the Private Sector in Asia at the ADB ($82.4 million) was adjusted to mitigation only as only one project ($1 million) related to adaptation (**Addendum**).
- The Canada Fund for the Private Sector in the Americas at the IADB ($250 million) was adjusted to 90% mitigation and 10% adaptation, according to the projects funded (**Addendum**).
- The Canadian Climate Change Program at the IFC (World Bank) ($276.6 million) was coded by GAC as mitigation only and this coding was retained for new Funds.

New special funds created at the ADB and the IFC (see Annex One) were coded to adaptation/mitigation similarly to those above. AidWatch Canada adjusted the second phase of the ADB project, therefore, from adaptation and mitigation to mitigation only.

J. Allocations to Country Income Groups

This report uses the country distribution to income groups according to the OECD DAC. The latest listings are for 2014-2016. (See Annex Seven) Data from the HPDS are calculated based on this country distribution.

1) Green Climate Fund and MDBs The allocation by income groups for the Green Climate Fund projects is based on a project by project review of the projects funded up to August 2018 as set out on the web site of the Green Climate Fund.

2) Historical Projects Dataset The allocations to income groups are net of unallocated climate finance by income group. In 2016, unallocated to income groups made up 37% of principal purpose climate finance and 27% of adaptation finance. Much of the unallocated relates to Canadian climate finance through multilateral institutions.

The breakdown for multilateral banks as a whole is taken from statistics set out in the *2017 Joint Report of the Multilateral Banks' Climate Finance*.

AidWatch Canada reduces some of the unallocated for total climate finance by adjusting the disbursement statistics for income groups for the Canadian Special Funds at the Multilateral Development Banks:

ADB ($82.4 million disbursed in 2010-2012 for mitigation principal):
- LDCs: $7.4 (9%)
- LMICs: $48.6 (59%)
- UMICs: --
- Global/Regional: $26.4 (32%)

IADB ($250 million disbursed in 2010-2012 for mitigation principal [90%] and adaptation principal [10%]):
- LDCs: ---
- LMICs: $59.25 (23%)
- UMICs: $169.8 million (67.9%)
- Global/Regional: $21.0 (8.4%)

IFC ($276.6 million disbursed in 2010-2012 for mitigation principal)
- LDCs: $50.3 (18.2%)
- LMICs: $64.2 (23.2%)
- UMICs: $157.7 (57%)
- Global / Regional: $4.4 (1.6%)

As an approximation for income group distribution for the $2.65 billion pledge, the three new special funds at the MDBs listed in Annex One [#9, #17, #18) are adjusted according to the above percentages.

These adjustments for the development banks are not possible for income group allocations for adaptation and mitigation as there is insufficient information to link the income group shares to these particularly purposes. However, most of these multilateral bank funds are directed to mitigation, with less impact on adaptation allocations.

In the 2013 to 2015 period, the income group allocations have been adjusted for Canada's contribution to the Green Climate Fund in 2015/16 ($252 million). These adjustments have been made according to the allocations of projects approved up to August 2018, based on the following allocations calculated by the author (See https://www.greenclimate.fund/what-we-do/projects-programmes):

LDCs/LICs – 22%
LMICs – 21.5%
UMICs – 25.9%

Global/Regional Projects – 17.4%

K. Allocation of Climate Finance by Region

The data for these allocations is based on GAC's Historical Project Datasets for the various years. The data for regional allocations includes both principal purpose and significant purpose finance, as there is no significant difference when including only principal purpose finance. The data for LDCs, Sub-Saharan Africa and Small Island Developing States is for adaptation finance only and has been calculated to remove duplication of countries in these categories.

L. Channels for the delivery of Canada's climate finance

The data for these allocations is based on GAC's Historical Projects Datasets for various years. The percentage for the private sector as a channel does not include allocations to the private sector through Canada's special Funds in the ADB, the IADB, and the World Bank IFC. These are treated by GAC as multilateral channels. CSO includes both Canadian and Foreign Civil Society Not-for-Profits.

The analysis of CSO sector priorities is based on a list of CSO projects extracted from the GAC Historical Projects Dataset. The author allocated an overall sector to individual CSO projects based on a review of the primary sector DAC sector codes for each project. This allocation will differ from the sector analysis in section 11. The latter is a summary of the totals for each sector irrespective of the project. Many projects are allocated to more than one sector code.