

Annex One

Data Sources and Methodological Notes

A. Sources of Information

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

- a) Government's Recent Announcements for Climate Finance¹ and Environment and Climate Change Canada's website on Canada's Climate Finance with detail on all climate finance projects.²
- b) Global Affairs Canada's Project Browser³ and the Historical Project Dataset (HPDS) for the years up to 2017/18 inclusive.⁴ The Browser has detailed information on all projects funded through Global Affairs Canada, including total project budget as a multi-year commitment. The Historical Project Dataset provides detailed annual disbursements information for each ODA project financed by GAC (and since 2016/17 for all Departments). Climate finance is identified through the Rio Marker System (see below). Principal purpose climate finance is considered equivalent to commitments made for the \$2.65 billion commitment.
- c) OECD DAC's annual reports on provider climate finance.⁵ 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.⁶
- d) Information provided by GAC officials and 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.⁷ The project

¹ See <https://climate-change.canada.ca/finance/RecentAnnouncements-AnnoncesRecentes.aspx?GoCTemplateCulture=en-CA>.

² See <https://climate-change.canada.ca/finance/Default.aspx>

³ See <http://w05.international.gc.ca/projectbrowser-banqueprojets/?lang=eng>

⁴ See http://www.international.gc.ca/department-ministere/open_data-donnees_ouvertes/dev/historical_project-historiques_projets.aspx?lang=eng

⁵ See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>

⁶ See <http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm>.

⁷ For more information on the Rio Marker see http://www.oecd.org/dac/environment-development/Annex18.Rio_markers.pdf and <http://www.oecd.org/dac/stats/rioconventions.htm>.

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 in its reports to the UNFCCC.⁸ 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 from the HPDS and the DAC CRS 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 50% for 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).

⁸ See the different provider practices in their reports to the UNFCCC in this Adaptation Watch Report, <https://static1.squarespace.com/static/56410412e4b09d10c39ce64f/t/581af8272e69cfd82f8a834a/1478162481457/Adaptation+Watch+Report+2016+Digital+FIN.pdf>, page 24. For Canada's methodological rules see its Third Biennial Report to the UNFCCC, accessed August 2019 at https://unfccc.int/files/national_reports/national_communications_and_biennial_reports/application/pdf/82051493_canada-nc7-br3-1-5108_eccc_can7thncomm3rdbi-report_en_04_web.pdf, page 246 and pages 256-7.

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. The DAC also has a database using the **recipient perspective**.⁹

The **provider perspective** includes all provider bilateral commitments for climate finance, plus prorated 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.¹⁰ These imputed multilateral allocations are then attributed to each provider, 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). Providers 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.¹¹

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 relating to multilateral institutions with the recipient perspective, AidWatch Canada uses the ‘provider perspective’ as the provider orientation is the usual purpose of the analysis. Also the analysis excludes non-DAC members reporting to the CRS and focuses on

⁹ See the database at <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>. Also see the methodological note by the DAC on the differences between the ‘provider perspective’ and the ‘recipient perspective’ at http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/METHODOLOGICAL_NOTE.pdf.

¹⁰ See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Imputed-multilateral-shares.xlsx>.

¹¹ See <https://stats.oecd.org/Index.aspx?ThemeTreeId=3>.

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.)

All **concessional loans** are re-calculated on an estimated “grant equivalent basis.” The grant equivalent basis is the method for reporting ODA loans to the DAC CRS from 2018 onward. An estimate for the grant equivalent basis for loans by select donor countries for 2016 can be found in Table 20 on Financial Terms of ODA Commitments.¹² 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:

Belgium – 89.9%
France – 53.3%
Germany – 46.5%
Italy – 86.7%
Japan – 76.7%
Korea – 87.3%
United Kingdom – 67.9%

All other donors – 68.4% (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*.¹³

E. Summary of Canada’s Climate Finance

a) Project commitments under the \$2.65 billion pledge This data is a compilation from C4D 2018 Climate Finance Tracking, projects listed as principal purpose (mitigation or adaptation) in the GAC Historical Project Dataset (2016/17 and 2017/18), commentary and projects listed in Canada’s 3rd biannual report to the UNFCCC, Recent Announcements, and information from GAC. (See sources under section A above.) Due to the difference between data sources and incomplete information, its accuracy is to be best ability of the author. Amounts are multi-year commitments.

b) Disbursements from the Historical Projects Dataset (HPDS) This dataset is published each year in June for the previous fiscal year. The HPDS provides statistical information on purpose codes, recipient countries, project titles and GAC numbers, implementing partners, and sector priorities for each project disbursement for that fiscal year. The last available version for this Report is 2017/18.

¹² See <http://www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm>. For a paper on grant equivalency by the DAC see [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC/WKP\(2017\)5&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DEV/DOC/WKP(2017)5&docLanguage=En).

¹³ The 2018 Report can be found at <https://publications.iadb.org/en/2018-joint-report-multilateral-development-banks-climate-finance>.

The HPDS since 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 in section B above.

The Canada Climate Fund for the Private Sector II (March 2017) was recorded by GAC as both adaptation and mitigation, but AidWatch Canada records this project as 90% mitigation and 10% adaptation based on project allocations for Phase I. Similarly the Canadian Climate Fund for the Private Sector in the Americas with the Inter-American Development Bank (April 2019) was adjusted to 90% mitigation and 10% adaptation as per the allocation of projects in Phase I.

F. Determination of additionality for Canadian climate finance

There are no Government targets for Canadian ODA performance relating to the UN 0.7% of GNI global target. 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.

Additionality can also be measured by noting the difference between Real Canadian ODA including climate finance disbursements for a given year, and Real ODA without climate finance. Real ODA is Official Development Assistance less costs counted in ODA for refugees for their first year in Canada, imputed university costs for students from developing countries, and the face value of debt cancellation.

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 DAC1.¹⁴ Following a methodology by the World Resources Institute, this Report calculates Canada's fair share based on the most recent six-year average of Canada's GNI relative to the DAC donors total GNI for these six years. The share varies from year to year depending on the relative growth in GNI for the respective donor countries. The current calculation used in the Report is 3.8%. The World Resources Institute also takes into account a country's historic contribution of GHG emissions, and GHG emissions per capita. This Report only uses the GNI measure.

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

The Report uses the list of projects approved within the \$2.65 billion commitment (Annex Two) to determine the current balance in this commitment. The calculation takes into account several adjustments for projects coded to adaptation with multilateral banks noted in section E above.

I. 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. 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 July 2019 as set out on the web site of the Green Climate Fund. The breakdown for multilateral banks as a whole is taken from statistics set out in the *2018 Joint Report of the Multilateral Banks' Climate Finance*.

2) Historical Projects Dataset The allocations to income groups are affected by regional programs unallocated climate finance by income group (see **Table Three**). Much of the unallocated relates to Canadian climate finance through multilateral institutions.

AidWatch Canada reduces some of the unallocated for total climate finance by adjusting the disbursement statistics for income groups taking account the project experience of 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%)

¹⁴ See <https://stats.oecd.org/Index.aspx?ThemeTreeId=3>.

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 four new special funds at the MDBs 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.

The income group allocations have also been adjusted for Canada's contribution to the Green Climate Fund in 2015/16 (\$168 million). These adjustments have been made according to the allocations of projects approved up to July 2019, based on the following allocations calculated by the author (See **Annex Eight**):

LDCs/LICs – 19%

LMICs – 28%

UMICs – 24%

Global/Regional Projects – 29%

Bilateral allocations to **Small Island Developing States** (SIDS) are derived from country identifications in Annex Two. The Caribbean as a whole is considered to be fully allocated to Small Island Developing States. For MDBs, the *2018 Joint Report of the Multilateral Banks' Climate Finance* Report only gives a total allocation for all MDBs to Small Island Developing States (Table 8). The share of SIDS in total MDB climate finance for 2018 is 3.3%. Given the specific focus of the several Canadian climate funds at these individual MDBs, this gross share was not considered sufficient to make an estimate of the share of Canadian climate funds to SIDS.

J. Allocation of Climate Finance by Region

The data for these allocations is based on the list of projects in Annex Two.