

Data Sources and Methodology Notes

The author has developed a methodology and used data sources for calculating Canada's climate finance that are different than those used by the Government of Canada in its reports to the UNFCCC. The Report's methodology is aligned with the approach of C4D to climate finance and is consistent with previous C4D climate finance Reports. For example, the Report excludes the inclusion of significant purpose climate finance projects in the determination of Canada's \$2.65 billion pledge [See **Briefing Note One**]. This Note identifies the data sources and the methodologies used.

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 sort summaries on all climate finance projects.² The amounts in these announcements are total commitments, which may be disbursed over several years, including fiscal years beyond 2020/21 for the \$2.65 billion pledge.
- b) Global Affairs Canada's Project Browser³ has detailed information on all projects funded through Global Affairs Canada (GAC), including a short description, implementing partners, total project budgets and expected multi-year disbursements, terms (grant or loan), sector coding, as well as climate markers, gender equality markers and biodiversity markers.
- c) The Historical Project Data Set (HPDS)⁴ for fiscal years up to 2020/21 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). This Report only considers principal purpose climate finance under the \$2.65 billion and \$5.3 billion commitments. The HPDS has information on the implementing partners, the country and sector allocations, the gender equality and biodiversity markers and corresponding annual disbursements.
- d) The OECD Development Assistance Committee (DAC) sets out project level activities for each provider in annual reports on provider climate finance.⁵ These reports are derived from providers' annual ODA reports to the DAC Creditor Reporting System (CRS) and corresponding Rio Marker System (see below) for climate finance identifying principal purpose and significant purpose climate finance. The DAC also uses biennial report to the UNFCCC and reports from the MDBs and multilateral organizations on their climate finance in compiling this annual determination of total

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>

climate finance. Loans are not adjusted to their grant equivalency basis in the DAC climate databases, as is the current practice for DAC aggregate reports on member ODA. This Report makes a grant equivalency estimate for provider climate loans based on the average grant equivalency for each provider in a given year as published by the DAC.

- 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 Creditor Reporting System (CRS) (see [d] above) against the Rio Marker for climate change adaptation and climate change mitigation.⁶ The project budget 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 among the parties to the UNFCCC for doing so. Providers have different practices, and Canada has determined that 30% of the budget commitment/disbursement for climate projects marked significant purpose would be counted in its reports to the UNFCCC.⁷ 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:

⁶ For more information on the Rio Marker see [http://www.oecd.org/dac/environment-development/Annex 18. Rio markers.pdf](http://www.oecd.org/dac/environment-development/Annex%2018.%20Rio%20markers.pdf) and <http://www.oecd.org/dac/stats/rioconventions.htm>.

⁷ See “Results of the survey on the coefficients applied to 2019/2020 Rio Marker data when reporting to the UN Environmental Conventions” at [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2022\)24&docLanguage=en](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2022)24&docLanguage=en). 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.

Principal Purpose:

- i. Principal Purpose / Not Targeted – Counted at 100% principal purpose for either adaptation or mitigation (i.e. the one targeted).
- ii. Principal Purpose / Principal Purpose – Counted at 50% for adaptation and 50% for mitigation
- iii. Principal Purpose / Significant Purpose – Counted at 100% for principal purpose only, and not significant purpose.

Significant Purpose:

- i. Significant Purpose / Not Targeted – Counted at 30% of significant purpose amount for the one targeted.
- 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 2015 to 2020, the last year for data. The DAC also has a database using the **recipient perspective**.⁸

DAC ODA data, including climate finance, is reported on a calendar year basis and is calculated in US dollars by the DAC based on a set exchange rate for a give year. It is important to note that the Report's analysis of Canada's climate finance is derived from the HPDS, which is current Canadian dollars for a fiscal year (April to March). DAC data is only used when comparing Canada to other DAC providers. The analysis of Canadian data for a given year based on the HPDS cannot therefore be aligned with DAC data for the same year due to different time periods and exchange rates.

The **provider perspective** includes all provider 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.⁹ These imputed multilateral allocations are then attributed to each provider, but unfortunately are not allocated to adaptation or mitigation through the Rio Marker. The

⁸ 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. The main difference is how multilateral disbursements are included. The provider perspective counts donor allocations to the multilaterals while the recipient perspective counts the actual disbursement of the multilaterals made with their own resources.

⁹ See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/Imputed-multilateral-shares.xlsx>.

author allocates these contributions to adaptation/mitigation based on the share indicated in the 2021 Joint Multilateral Development Banks Report on their climate finance or an examination of a given Fund by the author.

These imputed multilateral contributions in the ‘provider perspective’ indicate provider contributions to these channels, not climate finance disbursements made by these multilateral institutions to recipient countries.

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.¹⁰

The DAC also provides climate finance 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 of bilateral funds through the multilateral system, only multilateral commitments 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, the author 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 concessional grants and loans (excluding a few non-concessional flows from some providers as these flows are not consistently reported by all providers to the DAC against the Rio Marker).

All **concessional loans** are converted to their grant equivalency based on the average grant equivalency for the donor, as reported by the DAC for their ODA for that year.

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*.¹¹

¹⁰ See <https://stats.oecd.org/Index.aspx?ThemeTreeId=3>.

¹¹ The 2020 Report can be found at <https://thedocs.worldbank.org/en/doc/9234bfc633439d0172f6a6eb8df1b881-0020012021/original/2020-Joint-MDB-report-on-climate-finance-Report-final-web.pdf> and the 2021 Report at https://www.eib.org/attachments/lucalli/mdbs_joint_report_2021_en.pdf.

E. Summary of Canada's Total Climate Finance

Briefing Note One, Table One and Two (page 7 and 8) provides a summary of Canada's climate finance from all sources, including all official sources and mobilized climate finance. There are various levels of reliability for the data in this table depending on the availability of public sources for its estimates. See the assumptions set out below **Table One**.

F. 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 CRS, Table DAC1.¹² Following a methodology by the World Resources Institute, this Report calculates Canada's fair share based on the most recent four-year average of Canada's GNI relative to the DAC donors total GNI for these four 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. Another composite methodology has been developed recently by the Overseas Development Institute.¹³ The use of GNI as the basis for fair share provides an estimate of both the capacity to contribute (i.e. national wealth) and GHG emissions from the production and consumption of fossil fuels.

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

The Report uses the list of project commitments within the \$2.65 billion pledge (**Briefing Note One, Annex One**) to determine the balance for this commitment. The calculation takes into account several adjustments for projects coded to adaptation with multilateral banks noted in this Annex.

H. Allocations to Country Income Groups

This report uses the country distribution to income groups according to country allocations by the World Bank. The latest listings are for 2022.¹⁴ Data from the HPDS are calculated based on this country distribution.

¹² See <https://stats.oecd.org/Index.aspx?ThemeTreeId=3>.

¹³ See Sarah Colenbrander, Yue Cao, Laetitia Pettinotti and Adriana Quevedo, "A fair share of climate finance?," Overseas Development Institute, Discussion Paper, September 2021, accessed September at <https://odi.org/en/publications/a-fair-share-of-climate-finance-apportioning-responsibility-for-the-100-billion-climate-finance-goal/>

¹⁴ See <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

Small Island Development States (SIDS) are a distinct group of developing countries at the United Nations Conference on Environment and Development in June 1992. SIDS include countries in all World Bank Income Groups. For a list of SIDS see <https://www.un.org/ohrlls/content/list-sids>.

1) Green Climate Fund and MDBs The allocation by income groups, adaptation/mitigation and sectors for the Green Climate Fund projects is based on a project by project review of the projects funded up to July 2022 as set out on the web site of the Green Climate Fund. (See **Briefing Note Six**) Similar data for the six MDB Canadian Funds is derived from a project-by-project analysis of these Funds. (See **Briefing Note Three**)