GAC-CSO Dialogue on Climate Finance

June 11, 2020

Summary reflections

Efforts to realize the 2030 Agenda for Sustainable Development and address the global climate crisis call for ambitious and integrated approaches to supporting developing countries in mitigating and adapting to climate change. The global COVID-19 pandemic underscores the critical need to build more equitable, resilient and sustainable economic, social and environmental systems around the world to solve the most pressing challenges of both developed and developing countries.

Climate finance emerges as Canada's imperative commitment to address the looming climate change crisis. Canada's Minister of International Development has been mandated to demonstrate leadership on "women's rights and climate adaptation to better support sustainable and equitable resource management, agricultural production and access to markets".

In advance of the formal consultations of the Government of Canada, the Canadian Council for International Cooperation (CCIC), the Canadian Coalition for Climate Change and Development (C4D) and the Food Security Policy Group (FSPG) facilitated **a dialogue with Global Affairs Canada (GAC)** to highlight key priorities for Canada's next round of climate finance commitments. This document represents a summary of civil society participants' reflections on Canada's past climate finance commitments.

On June 11, 2020, CCIC hosted an informal virtual dialogue between GAC and CSOs regarding Canada's climate finance. The dialogue shed light on Canada's existing efforts, identified good practices and lessons learned from previous climate finance delivery and allowed participants to explore options for the July 2020 round of climate finance consultations. Participants took part in virtual breakout room discussions on challenges and opportunities, good practices, lessons learned and recommendations.

The dialogue on climate finance was enriched by the participation of the following panelists:

- Yamide Dagnet, Director, Climate Negotiations, World Resource Institute (WRI)
- Sue Szabo, Director General, Innovative and Climate Finance, Global Affairs Canada (GAC)
- Naomi Johnson, Co-Chair of the Canadian Coalition for Climate and Development (C4D), and Senior Policy Advisor, Canadian Foodgrains Bank (CFGB)
- Priscilla Achakpa, Global President, Women Environmental Programme (WEP), Nigeria.

Reflections by Civil Society Participants

Summary reflections by civil society participants outlined below underscore the continued importance of Canada's climate financing commitments, in light of and despite recent setbacks triggered by COVID-19. This summary highlights priorities and expectations of CSO actors, in relation to Canada's contributions in the global climate financing context, technical issues of climate financing, and feminist approaches to the issue.

Canada in the global climate financing context

Civil society experts acknowledged Canada's commitment to climate financing while calling for increased investments to meet Canada's fair share, estimated at $4 billion annually. This funding should not be a reallocation from existing humanitarian or development commitments, but rather, an increase in the country's international assistance envelope.

Currently, Canada ranks last in climate finance contribution of all G7 countries, although the country was the 8th largest climate finance contributor in the period of 2015-2018. With climate finance investments representing a mere 0.07% of the gross national income (GNI), Canada ranks 18th out of 23 developed countries. Partly, this is because Canada has yet to increase its pledge dating back to 2014, which has since lost in real value due to inflation and currency fluctuations. Lastly, the modality of Canada's climate finance leaves room for improvement: a third of Canada's contributions to the Green Climate Fund (GCF) were in the form of loans. Only one other country (France) issued loan-based assistance. As a 2020 co-chair of the GCF Board, Canada must show greater leadership by meeting its fair share of contributions to the institution itself.

Overall, Canada's climate finance commitments fall short of its global fair share and in comparison to peer countries. Another key concern is that of asynchronous funding mechanisms, with humanitarian funding being on an annual, and peacebuilding on a multi-year basis. As such, this earmarking of climate finance directly contradicts the efforts made towards the triple nexus and requires an urgent reconceptualization to allow for transformative, sustainable, and integrated interventions.

Synergies for leveraging Canada's comparative advantage on the international stage:

- **Private sector engagement** can be further leveraged. Supporting Canadian companies working abroad would strengthen the scale of climate finance investments while creating opportunities for Canadian companies and expertise to expand Canada's global influence.
- **Integration of peacekeeping and climate finance investments** can minimize or prevent conflicts, while boasting community resilience and sustainable recovery.
- **Localization of climate finance** is imperative. Local NGOs and grassroots groups are effective in reaching and engaging the most marginalized. Smaller NGOs, including feminist and environmental organizations should be institutionally supported to manage larger programmes and ensure the sustainability of climate finance investments.

Climate financing – towards transformative approaches

Modalities of Canada's climate finance: loans vs grants

Canada's finance portfolio largely consists of loans (65% as opposed to 35% being grants-based) and is in large part allocated to the Sub-Saharan Africa (40%). While loans are instrumental in helping countries and organizations divest from fossil fuel industries, they are effective in environments with stable revenue streams. In least developed countries, the loans restrict the fiscal space and the investments towards other urgently needed social safety nets. Moreover, loan-based assistance is largely focused on mitigation objectives of the Paris Agreement and is not sufficiently context-informed. For these reasons, CSO specialists called for assessments of Canada's commitments to climate finance in terms of both quality and quantity:

- **Quantity** – Canada's historic contribution to climate change and the capacity to address the pressing concerns
- **Quality** – Climate finance should be integrated in, and not taking from, the international assistance. Quality programming will require more strategic, integrated, and sustainable approaches.

Adaptation as a core aspect of climate finance
Adaptation has been insufficiently addressed as a number of programs listing "mitigation and adaptation" effectively address mitigation alone. Balancing the two, however, is an important aspect of Canada's cohesive foreign policy and the sustainability of Canada's investments. Adaptation lacks prioritization given that Canada is failing to meet its official development assistance (ODA) targets as well as its climate financing targets. Transparency about the allocation of climate finance investments that count towards ODA has been highlighted as important for Canada's overall accountability in this area. An increased ODA, in fact, emerges as crucial for meaningful linkages between climate finance in humanitarian and development settings.

Private sector engagement in climate finance and the issue of data
The Canadian insurance industry has been supporting more resilient long-term economic recovery, including through a Task Force for a Resilient Recovery. This group emerges as particularly relevant to engage in initiatives such as the Green Climate Fund (GCF), to maximize Canada's private sector engagement in this field.

To further enable private sector engagement, climate finance warrants better data. Access to reliable climate data for countries must be strengthened to allow for targeted and successful adaptation and mitigation interventions.

Scales of climate investments & localization
Canada's climate finance is largely loans-based and channelled through multilateral mechanisms, which poses the challenge in terms of the support to marginalized groups and women's organizations that rarely receive funding for programming in this area. Initiatives such as MEDA's risk capital fund, linking together smaller investments, allows to identify specific areas of interventions and sustainable support for those on the front lines.

Women's organizations, in particular, directly collaborate with grassroots movements and communities affected by climate change. Local action must be enabled through global mechanisms and Canada's leadership in ensuring transparent and flexible funding accessible to local actors and people-centered policies and solutions.

Feminist approaches to climate financing
While multilateral funding is needed and often effective, local organizations, many of which are **women's rights organizations, should be supported** to continue their engagement in climate finance. To be gender responsive, climate finance must mainstream gender objectives across the programme cycle and strengthen the institutional capacity of women's organizations. This involves strategic support for women's engagement in planning and prioritization, as well as **decision-making**. This will allow to transcend Canada's focus on gender balance among beneficiaries and/or symbolic institutional representation.

To strengthen **gender-responsive planning** of gender finance, **national policy planning** and other participatory policy elaboration processes offer avenues of change. **National ownership** is one of the core pillars of sustainable investments, and a prerequisite of transformative power-shifting interventions. Context-specific approaches that integrate **gender responsive budgeting** are particularly helpful in this regard – simultaneously ensuring accountability and community resilience through inclusive norm shifting around the importance of climate justice.

Requisites for effective climate finance approaches:

- **Sustainability,** including through national ownership and participatory engagement of local institutions, including women's led organizations and grassroots groups
- **Accountability for gender-responsive climate finance** approaches across institutions while ensuring sufficient flexibility and localization
- **Integrated approaches** to climate finance consisting of both mitigation and adaptation interventions
- **Bottom-up decision-making**, through community-based engagement, strengthening of collective institutions (particularly in the agriculture sector) so as to empower local NGO structures such as leadership, knowledge and capacities.

Overall, Canada's climate finance is the country's key commitment towards inclusive, gender-transformative, and sustainable global solutions to climate change. For these efforts to be effective, they must correspond to Canada's fair share of global investments, allocated to both large scale multilateral mechanisms and experienced NGOs and local partners, able to offer context-informed and people-centered solutions embedded in the broader security, humanitarian, and development frameworks. Canada's success in addressing climate change depends on coordinated global action to which Canada, as a G7 country with significant political clout, must unequivocally support.