



# Canada's contribution to GCF's First Replenishment

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The current global response to the threat of climate change is insufficient. The Intergovernmental Panel on Climate Change (IPCC) warns us that we have a decade to implement policies aligned with science in order to avoid the worst impacts of climate change.

As some countries step back from their international obligations on climate finance, Canadian civil society organizations are calling on the Government of Canada to make an ambitious commitment within the current replenishment process.

**Canada has an opportunity, and the capacity to substantially increase its contribution to GCF. At this crucial moment, we see Canada's least ambitious contribution to be CAD (Canadian Dollars) 800 million for GCF's next replenishment. We encourage Canada to contribute ambitiously and to provide CAD 1.2 billion for the next 4 years.**

Considering GCF's growing programming capacity, it's expected that GCF would need between USD (US Dollars) 15 billion and USD 23 billion in total for its upcoming replenishment to respond to its current demand to finance ambitious mitigation and adaptation projects. Canada could provide CAD 800 million which would represent Canada's fair share under GCF's smallest growth scenario of US 15 billion. But we see Canada going beyond and providing CAD 1.2 billion for the GCF First Replenishment. This would represent a major contribution considering that it more than doubles the funds provided at the Initial Resource mobilization.

This brief outlines why an ambitious replenishment contribution is necessary and in line with Canadian policy and interests.

## A QUESTION OF EQUITY

- Responding to climate change globally is essentially a question of equity. According to the United Nations, the world's poorest 1 billion people (those living on less than \$1 per day) are responsible for just 3% of global carbon footprint. Yet developing countries are already bearing up to [80% of the cost](#) of climate change, including through food insecurity, loss and damage, compromised livelihoods and instability.
- Drought, floods, wildfires and other climate change-related extreme weather events around the world are fuelling increased [hunger](#), [migration](#), [conflict](#), and [gender inequality](#). Just this April, cyclone Idai killed more than 600 people in Mozambique and forced the world's sixth-poorest country to take on an extra \$118 million of debt.
- The Paris Agreement puts the concept of equity at the centre of international climate action, and outlines developed countries' commitment to mobilize USD 100 Billion per year by 2020, balanced between adaptation and mitigation, to help developing countries deal with the impacts of climate change.
- Just one year away from this deadline, wealthy nations need to do more to provide resources through vehicles best placed to help poorer nations meet their commitments.

## THE GREEN CLIMATE FUND

- The Green Climate Fund (GCF) is the largest dedicated climate fund within the operating entity of the financial mechanism under UNFCCC and the Paris Agreement. Its role is to help developing countries implement Nationally Determined Contributions (NDCs) and climate change strategies.
- Fully operational since 2015, the GCF channels an important part of the USD100 billion by prioritizing a balance between adaptation and mitigation projects and by ensuring a country-driven approach.
- GCF has so far committed over USD 5 billion to projects in over 100 countries, expecting to avoid 1.5 billion tons of carbon and benefiting tens of millions of people around the world.
- It is a unique institution because of its core objectives, features and guiding principles. It has a purpose to focus beyond just effectiveness and efficiency of climate finance and has since the beginning adopted a mandate to ensure gender mainstreaming and to be responsive to vulnerable populations.
- For GCF to pursue its mandate as the most important multilateral fund within the UNFCCC to help developing countries implement the Paris Agreement, the quality of investments must be matched with increased funding from countries like Canada.

## GCF-1 REPLENISHMENT

- This year, all eyes are on how much countries will contribute to refill the GCF's coffers, which must be replenished every few years. By the end of 2019, countries interested in contributing will come together and announce "pledges" (promises to contribute) to the GCF.
- The last time this happened, in 2014, countries pledged a total of USD 10.3 billion.

- As the 2018 Biennial Assessment and Overview of Climate Finance Flows from the UNFCCC Standing Committee on Finance has estimated, current climate finance flows are still a fraction of total global financial flows.
- In order to shift financial flows, to transform the global economy and integrate climate considerations across all investment decision-making, and to provide developing countries the confidence needed to increase the ambition of the Nationally Determined Contributions (NDCs), mechanisms like the GCF must be properly supported to ensure it acts at scale.
- Germany and Norway have already come forward with their intention to double their original pledges. International civil society organizations are calling for wealthy contributor countries to go beyond doubling their initial pledges.

### **CANADA'S FAIR SHARE**

- Scaling up Canada's contribution to GCF is part of Canada's contribution to the global response to climate change. Canada's participation in GCF is crucial and must be sustained.
- In 2015, as part of the USD 100 billion climate finance that developed countries committed to provide annually to developing countries by 2020 under the Paris Agreement, the Canadian Government made a pledge of CAD 2.65 billion over five years, reaching CAD 800 million in sustained annual climate finance by 2020/21.
- As part of this commitment, Canada committed CAD 300 million to the Green Climate Fund's initial resource mobilization, disbursed as follows: CAD 168 million in 2015/2016, CAD 110 million in 2018/2019 and CAD 22 million in 2018/2019. However, Canadian CSOs have traditionally advocated that our fair share, based on our Gross National Income (GNI) is approximately 4%. On those terms, Canada's contribution to the GCF at the time of the Initial Resource Mobilization would have been CAD 450 million instead of CAD 300 million.
- Canada's contribution to the GCF in 2015 represented around 12% of Canada's overall climate finance contribution to the USD 100 billion. Canada promised to provide CAD 800 million in 2020/2021 for climate finance, assuming it decides to sustain this annual contribution over five years, Canada's contribution to the GCF would be of CAD 480 million.
- But CAD 800 million per year in overall climate finance does not represent Canada's fair share. At 4%, the fair share of the USD 100 billion amounts to CAD 1.9 billion annually in bilateral commitments and CAD 912 million to the GCF over five years.

### **INCREASING AMBITION**

- Although the GCF doesn't have a target contribution for its replenishment. Canada's focus should be on maximizing resources and ensuring the GCF priorities and strategies help countries increase domestic ambitious and implement NDCs.
- The GCF Secretariat has said that its average growing programming capacity is between USD 3.5 and 5 billion per year. Considering the potential annual growth rate, the GCF replenishment needs would be between USD 15 billion and USD 23 billion. Assuming the GCF is able to reach a total of USD 17 billion in pledges from all contributor countries and that the life pledge would be of four years, Canada's fair share would be of USD 660 million or CAD 830 million over the life of the pledge and CAD 207 annually.

- Giving at least 800 million to the GCF for its First replenishment would be a positive way forward. However, considering GCF's potential growth on programming capacity after 2020, Canada should step up and go beyond its minimal fair share and contribute CAD 1.2 billion for the GCF First Replenishment. This would represent a major contribution considering that it more than doubles the funds provided at the Initial Resource mobilization.

#### **ENHANCING ADAPTATION FINANCE**

- The GCF is committed to ensuring that all its funds are balanced 50:50 between mitigation and adaptation. It acknowledges that "for transformational change, adaptation interventions will need to be designed at the systems level – not just address specific areas of risk and vulnerability – and be based on aligned policies, legal and institutional frameworks, as well as national budget decisions" (GCF, 2019)
- Canada reports that, within the CAD 2.65 billion commitment, it is committed to a 50:50 balance between adaptation and mitigation investments. However, when we look at the programs funded, we note two large multilateral programs for private sector climate finance which don't have a strong record on financing adaptation. When excluding these two multilateral programs, we note that Canada's climate finance is mostly channelled towards mitigation (67%), with only 33% for adaptation .
- Canadian CSOs are calling for Canada to commit 50% of its international climate finance towards principal purpose adaptation initiatives and to ensure that disbursements are based on the ability of financial mechanisms to reach the poorest and most vulnerable with long-term, predictable funding which supports adaptation measures and achieves gender equality. Building on the commitment in the Paris Agreement to achieve a balance between adaptation and mitigation support, it's important that Canada uses the most appropriate mechanisms to achieve these goals.
- Canadian CSOs hope that by increasing support to the GCF, Canada's contribution to adaptation finance will increase and investments approaches can take into consideration local needs and support the most vulnerable and marginalized populations.

#### **GENDER-SENSITIVE CLIMATE FINANCE**

- GCF recognizes that gender mainstreaming makes climate interventions and policy implementations more effective and efficient. Canada currently plays a constructive voice on the Board and helped drive stronger policies on several issues, including gender. Canada has played a strong role in shaping the GCF's policies, which align well with Canada's own Feminist International Assistance Policy. Canada should follow through with a strong funding commitment for the GCF.
- Canada is committed to focus on gender equality and women's empowerment in its climate finance and it's taking an important leadership role pushing for a feminist agenda and gender mainstreaming within the UNFCCC. But we still have a long way to go.
- The latest data available (AidWatch Canada, 2018) confirms that Canada's international climate finance portfolio includes virtually no projects in which gender equality is the principal purpose.

Mainstreaming gender considerations is part of the DNA of the GCF, not only for its operations but also in the way resources are being deployed globally.

- Canadian CSOs have called on Canada to ensure that at least 15% of its adaptation projects include gender equality as a principal purpose.

#### **USING MULTILATERAL DEVELOPMENT INSTITUTIONS**

- As a multilateral platform for climate finance, the GCF is performing more effectively than multilateral development banks (MDBs). With USD 5 billion committed, more than 250 million people around the world benefitting from these projects and an anticipated 1.5 billion tonnes of CO<sub>2</sub> avoided as a result of these projects, the GCF represents an important mechanism to channel Canada's climate finance internationally.
- Geographically, while MDBs have a strong presence in Upper-Middle Income Countries, the GCF is prioritizing funding within Small Island Developing States (SIDs) and Least Developed Countries (LDCs).
- It is clear that investing in the GCF aligns with Canada's geographic focus for international climate finance. In 2018, AidWatch Canada estimated the income group allocations for the current approved commitments within Canada's 2.65 billion pledge showing that 28% of the allocation went to LDCs and SIDs, 21% to Lower Middle-Income Countries and only 19% to Upper Middle-Income Countries.
- GCF projects can complement and magnify the impact of CAD 76.1 million that Canada has invested bilaterally in LDCs and CAD 11.1 million in Middle-Income Countries (AidWatch Canada, 2018).