



BRIEFING NOTE

An Assessment of Canada's Commitments to Fast-Start Climate Finance, 2010 to 2012

How does Canada rank in relation to other donors?

A report prepared under contract for the Canadian CSO coalition, C4D

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Canada's Fast Start Climate Finance **How does Canada rank in relation to other donors?**

In October 2013 the Canadian Coalition on Climate Change and Development (C4D)¹ published [Protecting our Common Future](#), a comprehensive analysis of Canada's commitments to the three-year Fast Start Climate Financing initiative (FSF), covering the years from 2010 to 2012. The commitment to Fast Start Financing was part of an agreement at the 2009 UN climate change conference in Copenhagen in which Canada and other developed countries pledged to provide financing to help developing countries adapt to and mitigate the effects of climate change. This Briefing Note complements the October report by bringing together updated available comparative financial data,² in order to compare Canada's performance in relation to other donors. It focuses on three key aspects of FSF:

- The allocation of FSF between adaptation and mitigation financing
- The allocation of FSF through the funding modalities of grants or loans
- Fast Start Climate Finance and Official Development Assistance (ODA)

The comparative donor tables for the first two dimensions of FSF are found in the Annex. The study reviewed climate financing for 14 key donor countries, which are major FSF donors, as well as for the European Union (EU) as a whole. The EU and the additional six non-EU countries account for approximately \$30 billion in total FSF (out of an estimated total of \$35 billion recorded for all donors [Smita Nakhoda et. al. 2013]).

¹ C4D is a coalition of development and environmental organizations that works to bring the voice of the international development community to the debate on Canada's response to climate change.

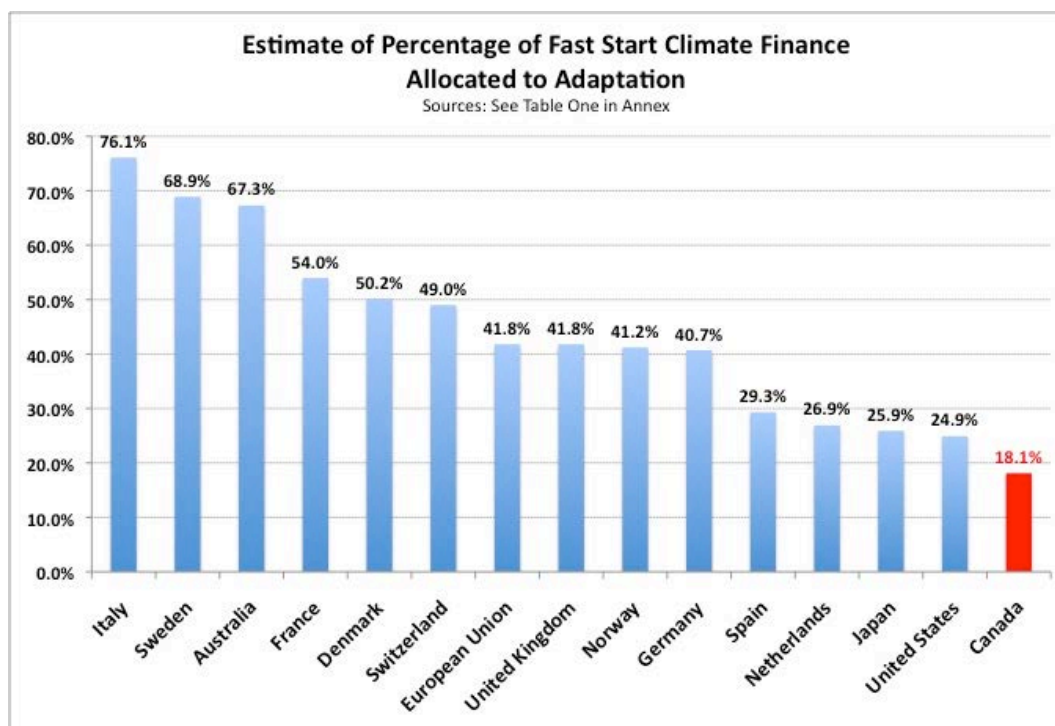
² Comparative financial data for FSF, and for climate finance in general, is incomplete and is subject to different interpretations by donors on what should be counted as "climate finance." This Briefing Notes relies on information provided in self-reporting by select donor countries to the UNFCCC (http://unfccc.int/cooperation_support/financial_mechanism/fast_start_finance/items/5646.php) and a comprehensive report on Fast Start Climate Finance, by the Overseas Development Institute, the World Resources Institute, and the Institute for Global Environmental Strategies, published in November 2013 (<http://www.odi.org.uk/publications/7987-mobilising-international-climate-finance-lessons-fast-start-finance-period>).

Observations

a) The Balance between Adaptation and Mitigation³

The Copenhagen Agreement did not specify an appropriate proportion in its call for a “balanced allocation” between adaptation and mitigation. But it has been assumed by developing countries and key civil society organizations, including C4D, to mean roughly a 50/50 split, acknowledging that there is sometimes an overlap as some activities have both adaptation and mitigation characteristics.

1. **Canada ranked last among the 14 major contributors to FSF reviewed** in the proportion of its FSF (18.1%) that was directed to adaptation projects and purposes. Only the United States (24.9%), Japan (25.9%) and the Netherlands (26.9%) came close to this low level of contributions towards adaptation.



2. Of the \$29.9 billion allocated in total to FSF by the 15 countries surveyed, 30.2% was directed to adaptation projects and purposes.

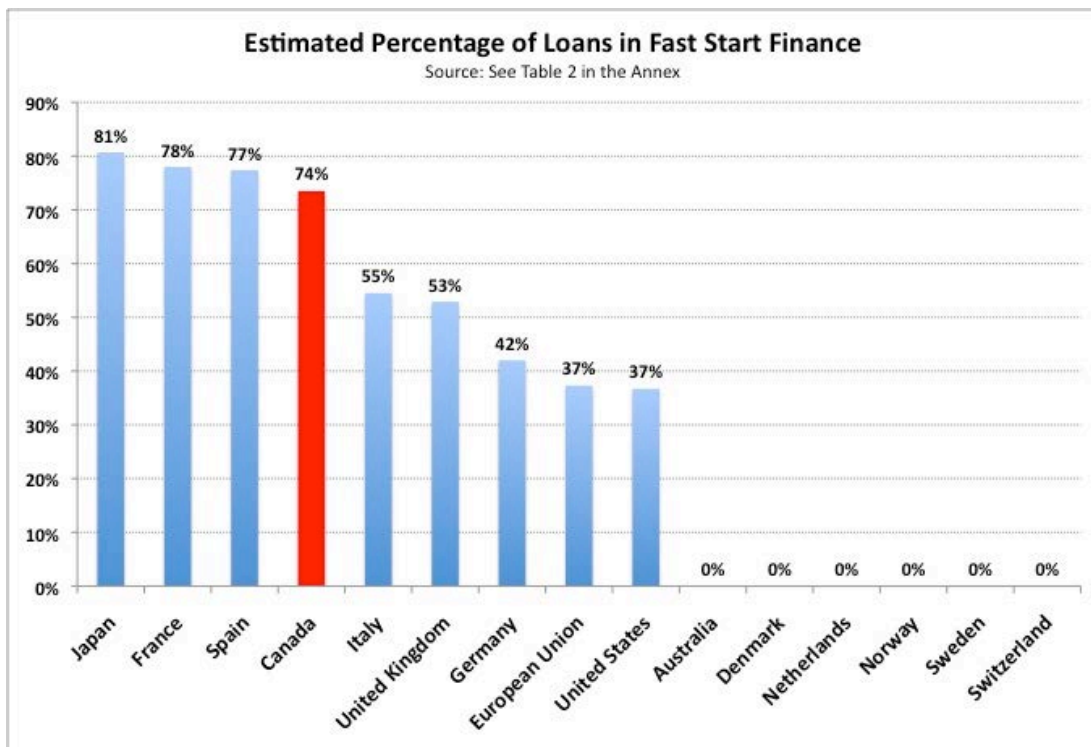
³ There is no common definition among donors for adaptation or mitigation and the actual commitments to these purposes in FSF are not possible to determine precisely. For the purposes of this study and to enable comparison between countries, adaptation includes all finance self-reported as adaptation plus 50% of REDD+ and cross-cutting financing. Similarly mitigation financing includes all self-reported mitigation financing plus 50% of REDD+ and cross-cutting financing. The observations that follow in this section are based on these assumptions.

- Several countries devoted more than 50% of their FSF to adaptation. They were Italy (76.1%), Sweden (68.9%), Australia (67.3%), France (54%), and Denmark (50.2%). Switzerland devoted 49% to adaptation in its FSF. The average for all the EU countries was 41.8%.

b) The allocation of FSF through the funding modalities of grants or loans.

CSOs have raised questions regarding the use of loans for climate finance, particularly for adaptation finance. A major consideration is the acknowledged differential responsibility for addressing global climate change. There is concern that countries making contributions to climate finance through loans, while having historical and current responsibility for the emissions that has resulted in climate change, may transfer financial obligations onto developing country governments and partners through loans repayable to the donor country.

- Canada ranked 11th among the 14 major contributors** examined in this study in its reliance on loans for its FSF (73.5%). Only Japan (80.7%), France (78%) and Spain (77.4%) had a higher proportion. Both France and Japan are among the few donors that continue to provide loans in their Official Development Assistance.



2. Canada's climate finance loans will be the first loans included in its ODA since it adopted a grants-only ODA policy in 1986, which will be repaid to Canada over an extended period of time.
3. Six countries (Australia, Denmark, the Netherlands, Norway, Sweden, and Switzerland) provided only grants in their climate finance.
4. As a major donor, the European Union as a whole provided 62.7% FSF through grants and 37.3% through loans. But, overall, a study by the Overseas Development Institute (ODI), World Resources Institute (WRI) and the Institute for Global Environmental Strategies (IGES) calculated that repayable loans from all donors made up the largest share of FSF at 48% with 40% provided through grants [Smita Nakhoda et. al. 2013]. This is primarily the consequence of a very large loan portfolio in Japan's FSF, which is the largest overall donor to FSF.
5. Oxfam has estimated the current commitments to climate finance for the period 2013 to 2015, i.e. the period following FSF. While they calculate that roughly US\$16.3 billion has been committed so far by donors, the actual net budget may be almost half this amount, closer to US\$7.6 billion, due to repayable loans in these commitments (Oxfam, 2013, 1). Several donors, including Canada, have made no specific financing commitments for 2013 and beyond.

c) Fast Start Climate Finance and Official Development Assistance (ODA)

1. All donor countries for FSF have included all or most of their FSF as ODA, making it difficult to determine for many donors whether FSF was "new and additional" finance, as was their commitment in 2009 in Copenhagen. The ODI, WRI and IGES study calculates that more than 80% of FSF was counted and reported as ODA. Canada has also included all of its FSF as ODA, except for \$75 million for the World Bank IFC Catalyst Fund.⁴ Canada therefore included 93.7% of its FSF as ODA.

However, as noted in the C4D October Briefing Note, almost all of Canada's FSF commitments were financed through supplementary spending estimates that were in addition to the original budget for Canadian ODA in these years. They were all new resources above what Canada had spent on climate-related financing pre-2010 and had budgeted to spend on ODA in each of the three years. While it is difficult to make a comparison on "new and additional" commitments between countries, C4D concluded that Canada did well in this category.

⁴ These funds for the International Finance Corporation (IFC) are on commercial terms and therefore do not meet the ODA criteria.

Annex

Table One: Fast Start Climate Finance: Relative Commitments to Adaptation and Mitigation

Table Two: Fast Start Climate Finance: Donor Funding Modalities - Grants vs Loans

Sources

Table One: Fast Start Climate Finance: Relative Commitments to Adaptation and Mitigation⁵

US\$						Percentage	
Donor	Adaptation	Mitigation	REDD+	Cross-cutting	Total	Adaptation	Mitigation
Australia (B)	\$333.0	\$123.8	\$147.1		\$603.9	67.3%	32.7%
Canada (A)	\$149.0	\$917.6	\$72.2	\$66.6	\$1,205.4	18.1%	81.9%
Denmark (B)	\$30.0	\$29.4	\$8.3	\$53.3	\$121.0	50.2%	49.8%
European Union (A)	\$1,695.3	\$2,579.9	\$722.4	\$420.1	\$5,417.7	41.8%	58.2%
France (B)	\$48.4	\$28.6	\$33.5	\$138.6	\$249.1	54.0%	46.0%
Germany (B)	\$467.6	\$790.2	\$437.7	\$30.5	\$1,726.0	40.7%	59.3%
Italy (B)	\$153.3	\$13.7	\$29.3	\$71.2	\$267.5	76.1%	23.9%
Japan (A)	\$3,500.0	\$10,000.0			\$13,500.0	25.9%	74.1%
Netherlands (B)	\$50.0	\$156.8	\$10.0	\$14.4	\$231.3	26.9%	26.9%
Norway (A)	\$189.7	\$552.5	\$968.3	\$355.7	\$2,066.2	41.2%	58.8%
Spain (B)	\$51.6	\$155.8	\$20.7	\$23.3	\$251.4	29.3%	70.7%
Sweden (B)	\$124.3	\$48.4	\$20.1	\$8.2	\$201.0	68.9%	31.1%
Switzerland (A)	\$53.1	\$56.0	\$35.7		\$144.7	49.0%	51.0%
United Kingdom (B)	\$796.8	\$1,200.3	\$298.7	\$169.1	\$2,464.9	41.8%	58.2%
United States (B)	\$1,081.4	\$4,587.3	\$568.7	\$732.7	\$6,970.1	24.9%	75.1%
Total	\$7,001.4	\$18,817.0	\$2,514.4	\$1,575.2	\$29,908.0	30.2%	69.8%

Source: A - Country Reports to the UNFCCC; B - Annex 1 in Smita Nakhooda, Taryn Fransen, Takeshi Ku Annalisa Prizzon, Noriko Shimizu, Helen Tilley, Aidy Halimanjaya, Bryn Welham, "Mobilizing International from the Fast Start Finance Period," A report prepared for ODI, World Resources Institute, and IGES, Not Accessed November 7, 2013 (Note the current version of this document no longer contains this Annex.) <http://www.odi.org.uk/publications/7987-mobilising-international-climate-finance-lesson>

⁵ This table has been adapted from the source publication, and has converted all country expenditures into US dollars in order to compare donors. The figures above for Canada therefore differ from the C4D's October analysis of Canada's FSF, which is presented in Canadian dollars.

Notes for Table One:

1. A number of activities relating to forestry (REDD+, and “Crosscutting,” where the purposes of activities may overlap between mitigation and adaptation, have been arbitrarily allocated 50% each to mitigation and adaptation.
2. National currencies for Canada, the EU and Switzerland have been converted to US dollars based on an average exchange rate conversion for 2010 and 2011 as reported in Table A15 in the Statistical Annex of the *2012 Development Cooperation Report*, published by the OECD Development Assistance Committee, available at <http://www.oecd.org/dac/dcr2012.htm>.
3. The EU total includes all EU members, including those listed in the table. The table total is net of these member states.

Table Two: Fast Start Climate Finance: Donor Funding Modalities - Grants vs Loans

US\$

Donor	Total FSF	Dollar Amounts		Percentage of Total	
		Grants	Loans	Grants	Loans
Australia (B)	\$603.9	\$603.9	-	100.0%	0.0%
Canada (A)	\$1,203.9	\$318.6	\$885.3	26.5%	73.5%
Denmark (B)	\$121.0	\$121.0	-	100.0%	
European Union (A)	\$5,410.3	\$3,390.7	\$2,019.7	62.7%	37.3%
France (B)	\$249.2	\$54.9	\$194.3	22.0%	78.0%
Germany (B)	\$1,716.0	\$1,001.2	\$714.8	58.3%	41.7%
Italy (B)	\$239.0	\$108.8	\$130.2	45.5%	54.5%
Japan (A)	\$13,500.0	\$2,600.0	\$10,900.0	19.3%	80.7%
Netherlands (B)	\$230.4	\$230.4	-	100.0%	
Norway (A)	\$2,340.0	\$2,340.0	-	100.0%	0.0%
Spain (B)	\$251.4	\$56.9	\$194.5	22.6%	77.4%
Sweden (B)	\$200.9	\$200.9	-	100.0%	0.0%
Switzerland (B)	\$142.7	\$142.7	-	100.0%	0.0%
United Kingdom (B)	\$2,492.7	\$1,175.3	\$1,317.4	47.1%	52.9%
United States (A)	\$7,457.8	\$4,717.5	\$2,740.3	63.3%	36.7%
Total	\$30,653.60	\$14,108.36	\$16,545.25	46.0%	54.0%

Source: A - Country Reports to the UNFCCC; B - Annex 1 in Smita Nakhooda, Taryn Fransen, Takeshi Kuramochi, Alice Caravani, Annalisa Prizzon, Noriko Shimizu, Helen Tilley, Aidy Halimanjaya, Bryn Welham, "Mobilizing International Climate Finance: Lessons from the Fast Start Finance Period," A report prepared for ODI, World Resources Institute, and IGES, November 2013, Annex One. Accessed November 7, 2013 (Note the current version of this document no longer contains this Annex) at <http://www.odi.org.uk/publications/7987-mobilising-international-climate-finance-lessons-fast-start-finance-period>

Notes:

1. National currencies for Canada, the EU, and Switzerland have been converted to US dollars based on the average exchange rate conversion for 2010 and 2011 as reported in Table A15 in the Statistical Annex of the 2012 *Development Cooperation Report*, published by the OECD Development Assistance Committee.

2. Loans are recorded at face value in the Smita Nakhooda et al study.

Sources:

Australia

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