

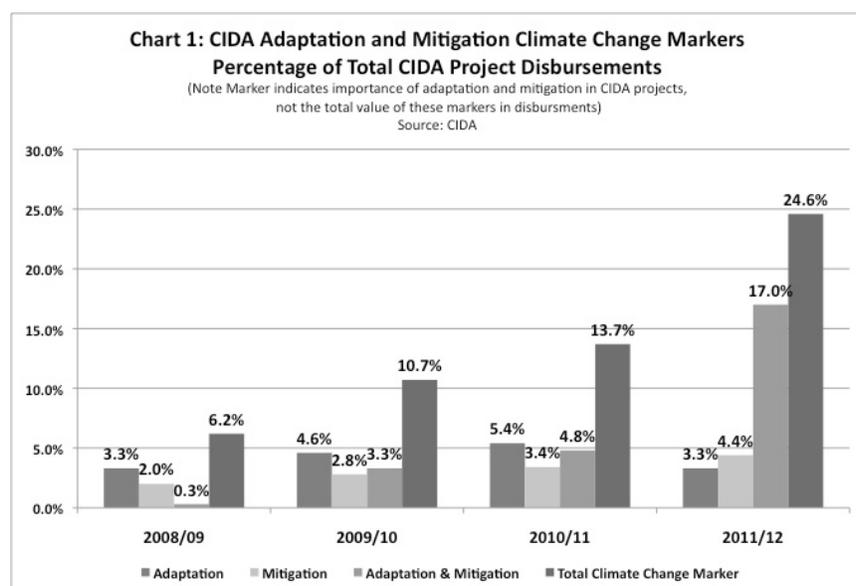
Annex Two

DAC Policy Marker for Adaptation and Mitigation: CIDA's Climate Change Project Financing, 2008/09 to 2011/12

CIDA, along with other donors, reports to the OECD Development Assistance Committee against a “policy marker” for adaptation and mitigation for all of its project activities.¹ While the policy marker is an important attempt to define donor commitments to climate change finance, it is important to note that the marker is not an exact indication of the level of financing: a project may be marked as relevant to adaptation, for example, while only a portion of the project activities are relevant; but the full value of the project is nevertheless reported. Projects are marked as adaptation, mitigation or mitigation and adaptation.

This annex provides an overview of the directions in financing for adaptation and mitigation in CIDA’s projects between 2008/09 and 2011/12. The analysis is based on project records in CIDA’s published historical database.² These projects include CIDA implemented Fast-Start Finance (FSF) initiatives, but also a wider range of projects that are considered to relate to climate change adaptation and mitigation. An analysis of marked projects provides a snapshot of overall trends in CIDA finance for these policy areas.

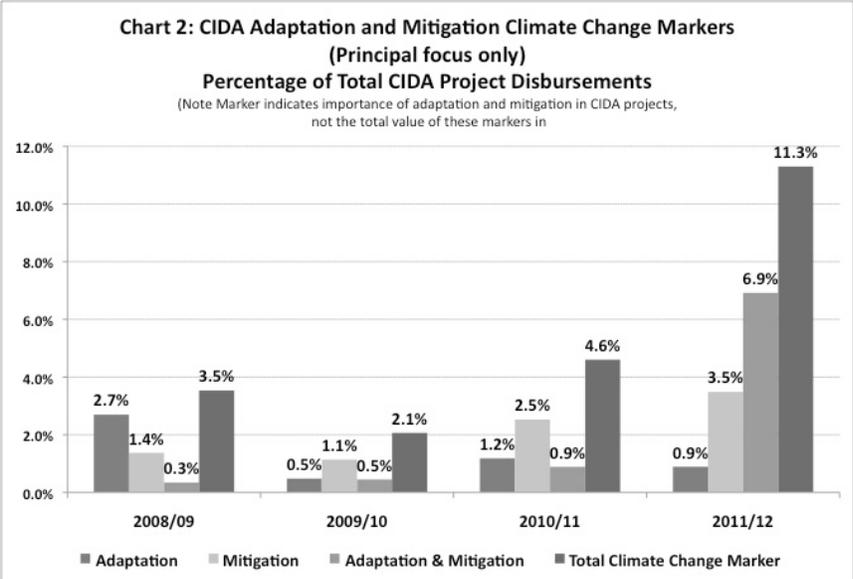
Chart 1 demonstrates the steady growth of project finance associated with the climate change markers, from 6.2% of all CIDA project activities in 2008/09 to 24.6% in 2011/12. The sharp growth in projects marked both adaptation and mitigation in 2011/12 was due to three specific multilateral replenishments (Africa Development Bank, Asia Development Bank, and IFAD). The full value of these large replenishments was given a climate policy marker. When these three replenishments are removed, the total marker value in 2011/12 is reduced to 16.7% of total project activities, more consistent with trends over the previous years.



Source: CIDA Historical Dataset, accessed May 2013.

¹Details about the marker system for climate finance developed by donors in the Development Assistance Committee of the OECD can be found at <http://www.oecd.org/dac/environment-development/measuringclimate-relatedaid.htm>. The donor “marks” each project in its report to the DAC, where mitigation and/or adaptation is one of: the “principal objective”, a “significant objective”, or “not targeted with this policy objective.” Where adaptation and/or mitigation are the principal objective, the project would not be undertaken without this objective. Where these policies are a “significant objective”, “although important, [mitigation and/or adaptation] are not one of the principal reasons for undertaking the activity.”

²CIDA now publishes on its web site a “Historical Dataset” for all project disbursements between 2005/06 and 2011/12 (<http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/CAR-1128144934-R9J>). This data provides the climate change markers for each project as well as its geographic location, type and name of implementing partner, sector focus, and amount of annual disbursement. The assessment of CIDA climate finance in this annex is based on an analysis of these dimensions for CIDA projects marked mitigation or adaptation or both.



Source: CIDA Historical Dataset, accessed May 2013.

Projects are marked adaptation/mitigation as the “principal” focus or as a “significant” focus among other purposes. A project that is marked as “significant”, which are the majority, tend to distort the levels of finance for climate change mitigation or adaptation. As “significant” policy dimensions, the extent of such activities may vary greatly within projects, yet its full value is included in the marker system. While not complete in financial terms, as an indicator of the importance that a donor is giving to climate finance in its development program, it is consequently better to analyze the proportion of projects where the policies are marked as a “principal objective.” Chart 2 sets out the proportion of CIDA’s programs where a project has a “principal objective” marker. There has been a similar growth trend in this marker, but the proportion of all CIDA projects is much smaller and shows greater year-by-year fluctuation, particularly the proportion of CIDA projects focusing exclusively on adaptation. The large growth in 2011/12 is a reflection of CIDA contributions to FSF.

Table One sets out the balance between adaptation and mitigation in CIDA’s projects, ignoring those projects where both adaptation and mitigation is marked (since it is not possible to determine the balance between these two policy purposes in these projects).

Table One: Balance between Adaptation and Mitigation in CIDA Projects

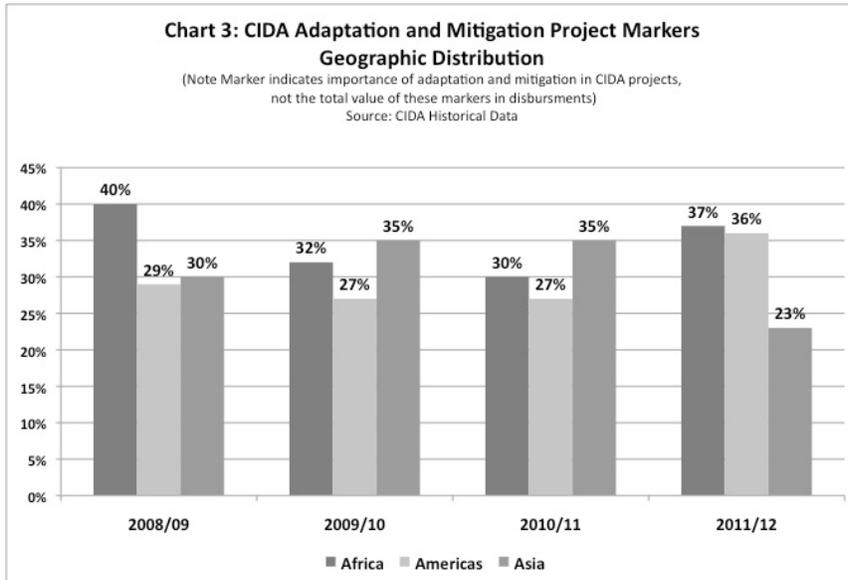
	Principal and Significant Markers		Principal Marker Only	
	Adaptation Only	Mitigation Only	Adaptation Only	Mitigation Only
2011/12	\$127.1	\$162.1	\$33.0	\$128.8
2010/11	\$181.7	\$114.4	\$39.7	\$ 84.6
2009/10	\$153.7	\$ 94.3	\$16.0	\$ 37.8
2008/09	\$122.7	\$ 63.3	\$85.2	\$ 43.4

Source: CIDA Historical Dataset, various years
 DAC policy markers for adaptation and mitigation (Excludes projects marked both adaptation and mitigation)

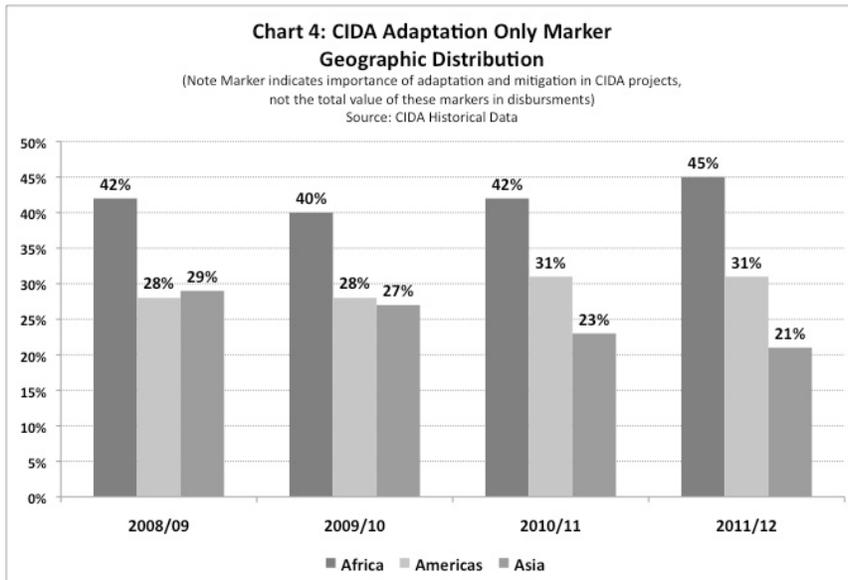
When projects marked both mitigation and adaptation are excluded, there is a strong balance in favour of adaptation in CIDA projects since 2008/09 (including both significant and principal markers). However this bias is the opposite when only the “principal objective” marker is included. As adaptation is often an increasingly important

concern for the sustainability of a range of projects, the integration of this objective with other objectives (i.e. use of the “significant objective” marker) is understandable. Mitigation projects tend to be stand-alone projects with this as the principal purpose.

The marker system also allows for a review of the geographic distribution of those projects marked adaptation and mitigation. **Charts 3 and 4** provide some trends for the distribution of all markers and the adaptation marker only, respectively. It is notable that Africa has been a significant focus for projects that are marked adaptation/mitigation (Chart 3) and in particular for adaptation only (Chart 4). There has not been a great amount of variation between years.

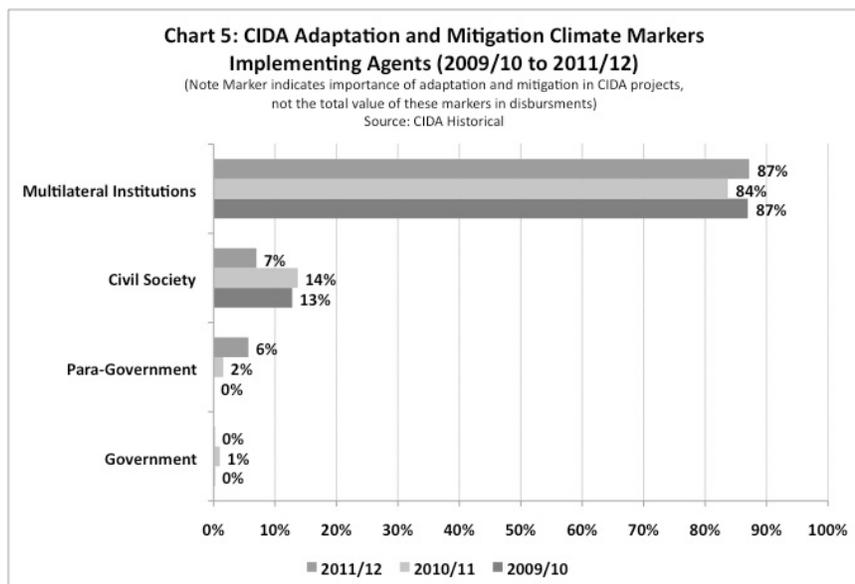


Source: CIDA Historical Dataset, accessed May 2013.



Source: CIDA Historical Dataset, accessed May 2013.

Chart 5 demonstrates the degree to which Canada is relying upon multilateral organizations as implementing partners in its climate finance. On average more than 85% of all CIDA projects marked adaptation and/or mitigation have been implemented through multilateral organizations. Civil society organizations (CSOs) have been responsible for approximately 11% of marked projects. However, there is a much stronger role for CSOs in the implementation of projects marked adaptation (33% of the value of these projects), while multilateral organizations implement fully 89% of the value of projects marked mitigation. For projects that are marked adaptation and/or mitigation, where these policy areas are the principle objective of the project, 98% of the value of these projects is implemented by multilateral organizations, with 1.5% by civil society organizations!



Source: CIDA Historical Dataset, accessed May 2013.

Finally, what is the global donor experience in financing climate change and how does this Canadian experience compare with other donors? The DAC publishes an annual review of the reports by donors in the use of the adaptation and mitigation markers. The latest report focuses on policy markers for 2011.¹ The DAC reports US\$17.2 billion in ODA that has been marked adaptation/mitigation, which is 13.7% of ODA for that year. Projects that have been marked as adaptation/mitigation as the principal objective, combined, make up US\$9.1 billion or 7.2% of ODA for 2011. Of this US\$9.2 billion, those projects marked adaptation as the principal objective is only 10.8% of all climate-change marked ODA.

According to these DAC statistics, Canada marked 10.3% of its ODA in 2011 with the adaptation/mitigation policy markers. Among 22 donors, including EU institutions, Canada ranked 9th in terms of the proportion of ODA marked adaptation/mitigation (10.3%). Finland (27.4%), Germany (35.1%), Japan (44.8%), Norway (17.5%) and Switzerland (13.7%) were particularly strong donors. These figures include projects where the adaptation/mitigation marker includes those where it is a significant, but not the only policy purpose, likely creating subjective distortions in marking between donors.

A more detailed examination of the principal objective markers may give a more accurate picture of the relative priority in climate finance through ODA between the donors in 2011. Canada ranked 5th when mitigation and adaptation (principal objective) were combined as a proportion of total ODA at 6.9%. The top four ranking countries were Japan (36.7%), Germany (13.4%), Norway (11%), and Ireland (10.2%).

Examining only adaptation as a principal policy objective as a percentage of ODA, only 1.5% of ODA was marked accordingly (compared to 13.7% ODA marked for climate change), suggesting that adaptation finance is not a strong priority for donor ODA relative to mitigation financing through ODA. Canada ranked 11th among 22 donors at 0.7% for adaptation as the principal policy objective. The donors with the best performance on adaptation were Japan (6.3%), Norway (2.6%), Germany (2.0%), Switzerland (1.9%) and Australia (1.8%).

¹See http://www.oecd.org/dac/stats/factsheet%20on%20climate%20change_update%202013.pdf