

Tip Sheet on Climate Change Financing

Summary

Canada committed \$400 million in 2010 to help developing countries fight and adapt to climate change. We expect Canada will commit the same amount of money for 2011 and again in 2012 although the government has yet to make a public commitment.

There is still time to influence how Canada spends this money so that it will support smallholder farmers and other vulnerable communities in adapting to the changes they are already experiencing.

What does this have to do with Canadian Foodgrains Bank?

- Canadian Foodgrains Bank is a partnership of Canadian churches and church-based agencies working to end global hunger. We do this through programs, such as food assistance to meet immediate hunger needs, or supporting longer term food security projects that improve agricultural production. We also work to end hunger by advocating for government policies that support those who are most vulnerable to hunger globally.
- Climate change increases the risk of hunger. Smallholder farmers are especially vulnerable to the impacts of climate change, as their livelihoods are closely linked to the natural resource base. For more information on this link, please read our *Primer on Climate Change and Hunger* on the Harvest of Letters webpage – look under Get Involved at [foodgrainsbank.ca](http://www.foodgrainsbank.ca) or use the following link: <http://www.foodgrainsbank.ca/uploads/A%20Primer%20on%20Climate%20Change%20&%20Hunger.pdf>.
- Climate change *financing*, in particular, presents a clear opening for Foodgrains Bank to influence policies that affect hungry people. Canada actively participates in international negotiations around global efforts to address climate change. Financing is an integral part of those international negotiations—a part that can significantly help those who are most vulnerable to climate change, including smallholder farmers.
- We should clarify that the goal of our climate change policy work is not to increase funding for Foodgrains Bank programming work in particular. Most climate change financing goes directly to other countries (bilateral) or through international funds, such as UN climate change funds (multilateral). We want to ensure that it ultimately supports those who are on the frontlines of climate change—smallholder farmers and other vulnerable populations.

Some Context (why climate change financing?)

- Developed countries first accepted the obligation to financially support climate action in low income countries in the UN Framework Convention on Climate Change (UNFCCC) signed in 1992, the international treaty that is the basis for international climate change negotiations.

- At the UN climate change conference in Copenhagen in 2009, so called developed countries made a commitment to “scaled up, new and additional, predictable and adequate funding” to developing countries. The agreement stated that:
 - The financing should approach \$30 billion total for 2010-2012 (this is referred to as *fast start financing*).
 - Financing should be balanced between adaptation and mitigation.
 - Adaptation financing should prioritize the most vulnerable developing countries.
 - Developed countries would work towards mobilizing \$100 billion a year by 2020 to address the needs of developing countries.
- This financing commitment was reaffirmed at the climate change talks in Cancun in December 2010. In Canada, decisions on climate change financing are made by the Minister of the Environment, with input from other departments. (Letters to MPs on this issue should request that the message be shared with the Minister of the Environment.)

What has Canada done so far?

- In June 2010 Canada announced that it would provide \$400 million to meet their fast start financing commitment for 2010. This represents Canada’s fair share of the \$10 billion per year fund (\$30 billion for 2010-2012).
- The allocation of those funds, however, is disappointing. Seventy-two percent of Canada’s \$400 million—\$285.7 million—was given to the World Bank to be used as loans. Only 11% of the \$400 million was designated for adaptation to help meet the more immediate needs of vulnerable populations around the world.
- For more details on Canada’s Fast-Start Climate Change Financing, please see <http://www.ec.gc.ca/Content/4/5/4/454E8F15-55C2-4A70-9FC0-249B35E5DD80/faststart.pdf>

What are we saying?

Direct more money towards adaptation

- In 2011 and 2012, we are asking the Canadian government to achieve a better balance between adaptation and mitigation. The Copenhagen Accord stipulates that climate change financing should be balanced between adaptation and mitigation. We haven’t specified what that split should be, but clearly something closer to 50/50 would be more balanced.
- It is important to both slow climate change and help people adapt to the climate change that is already happening. For smallholder farmers, adaptation is the overwhelming immediate priority. Firstly, they are highly vulnerable to climate change impacts (such as increased drought), and secondly, they produce few greenhouse gas emissions. Getting a better balance of adaptation funds is important for the people we work with.

Give more funding as grants

- For 2011 and 2012 we would like to see Canada give more funding as grants, both for adaptation and mitigation.
- We were pleased that all of Canada's money for adaptation was given as grants in 2010. However, much of Canada's money for mitigation will be used for concessionary financing (loans given on more generous terms than standard loans). Indeed 72% of our total financing went to the International Finance Corporation (IFC), the commercial financing arm of the World Bank, for loans for clean energy projects.
- While the Foodgrains Bank's concern is primarily about how Canada spends its adaptation money, there are numerous questions and concerns about Canada's focus on loans through the IFC.
 - Very little is known about these loans, including how concessional (lower interest rates, longer payback periods, etc) they are. We also don't know what kind of 'clean energy' projects are being supported and if they will truly help fight climate change. The IFC has come under criticism for funding environmentally destructive projects in mining, oil and gas, and hydroelectricity.
 - It has also been criticized for not reaching the most vulnerable, despite its mandate to reduce poverty. Research from the European Network on Debt & Development found that less than one-fifth of all IFC investments support local companies in low income countries; two-thirds of all IFC investments go to transnational companies from rich countries. See more at <http://www.eurodad.org/whatsnew/reports.aspx?id=4304>.
- While some mitigation funding could be provided as loans, we believe that grants are important for mitigation as well, to help developing country governments increase their ability to fight climate change.

Ensure funds are additional to Canada's existing aid commitments

- The Copenhagen Accord states that climate financing should be 'new and additional' but it doesn't clarify what this means. Canada defines 'new and additional' as money they wouldn't have spent on climate change before the Copenhagen Accord. In contrast, the Foodgrains Bank and other aid organizations believe that 'new and additional' should refer to financing that is additional to Canada's existing aid budget.
- This is an important distinction. We don't want to see gains in one area—for example, helping farmers adapt to climate change—cause losses in other areas necessary to improve people's lives.
- If Canada commits to making climate change financing additional to our current aid budget it will also help Canada build international trust essential to achieving a global agreement on climate action. In other words, the Canadian government will show that it truly takes its responsibilities seriously.

Choose funding mechanisms that fairly include developing country voices

- Canada should ensure that its adaptation financing is directed to funds or projects that take into account the perspectives of local communities, women, smallholder farmers and other vulnerable populations.

- Two funds that are best suited to fairly include developing country voices and address the needs of those who are most vulnerable to climate change are:
 - Adaptation Fund
 - The UN's Adaptation Fund finances climate change adaptation projects in developing countries, including agricultural projects. It is seen as an innovative fund with good potential. Decisions are made by consensus, and most board members come from developing countries.
 - For more information, visit <http://www.climatefundsupdate.org/listing/adaptation-fund> or <http://www.irinnews.org/report.aspx?Reportid=90571>
 - Least Developed Country Fund
 - This UN fund is designed to address the immediate adaptation needs of the 48 least developed countries, including in agriculture. Canada gave \$20 million to this fund as part of its \$400 million financing package in 2010.
 - The LDCF is jointly governed by donors and recipients, although it has still been criticized for donor influence, and for being burdensome and slow to disburse funds.
 - For more information, visit <http://www.climatefundsupdate.org/listing/least-developed-countries-fund>