

# Adding Value with Climate Compatible Development

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## Issue

With rising climate pressures, demand exists for guidance on how to deliver integrated development policies for climate adaptation and mitigation, sustainable socio-economic development, and the empowerment of women and girls.

## Background

### Climate Compatible Development

Climate Compatible Development (CCD) is a policy approach that aims to integrate climate change mitigation and adaptation with the Sustainable Development Goals (SDGs) through a single initiative that delivers “triple wins” (Ellis, Cambray and Lemma 2013). The goal of CCD is to improve the economy, alleviate poverty, and promote and support peace across the globe, all while respecting the limits of the environment and seeking to do less harm than the development that has preceded it. CCD is a desirable policy approach for humanitarian assistance projects, emergency aid, long-term development projects and domestically run projects of all circumstances.

### The Gender-Poverty-Climate Nexus

The goals of CCD are also positioned to address the gender-poverty-climate nexus. Research shows that climate change adaptation or mitigation projects that do not take women’s needs and concerns into account are less successful than those that do (Climate and Development Knowledge Network 2019). Likewise, projects addressing good governance and peace building are more successful when

they include women and girls (Government of Canada 2017). An added dimension is the vulnerability of women and girls and the poor to the effects of climate change. Drought, extreme weather events and threats to biodiversity have disproportionate impacts on health, gender-based violence, access to services, agriculture, nutrition, cultural practices and water security (Climate and Development Knowledge Network 2019). CCD does not work without one of its parts; it is a three-tiered avenue for transformative development that successfully confronts the climate problem (Mitchell and Maxwell 2010).

### The Rules-based International Order

The rules-based international order (RBIO) is a shared commitment by all countries to conduct their activities in accordance with ever-evolving rules (United Nations Association of Australia 2016). It is embodied in institutions such as international financial architectures, international organizations and fora, international law and other regimes and agreements (Jefferson and Naselli 2019).

Several international regulatory instruments reference joint action on climate change mitigation, adaptation and the SDGs, which act as steering tools and can provide legitimacy to national policy initiatives. These include:

- the United Nations Framework Convention on Climate Change (UNFCCC) (specifically Article 2);
- the Paris Agreement on Climate Change (specifically Articles 2.1C and 4.7);
- the SDGs (specifically Goals 1, 5, 8, 13 and 17);
- the Sendai Framework for Disaster Risk Reduction;

and

- the United Nations Global Compact.

Certain international financial institutions can also act as tools to reward investment in cooperation on CCD strategies. These include:

- the International Monetary Fund;
- the World Bank; and
- regional development banks, including the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank.

Finally, there are multiple global fora that can be used to reconcile clashing understandings and interests related to CCD strategies. These include:

- the United Nations;
- the G7;
- the G20;
- the UNFCCC Conference of the Parties; and
- the Organisation for Economic Co-operation and Development.

### Where the RBIO Falls Short on CCD

Currently, CCD initiatives in multilateral financial institutions of the RBIO are under-resourced (Toronto Centre 2018). This is partially because there has not been enough direct regulatory action at the international level to close the gap between public funds and the mobilization of private funds. Canada has been using the multilateral system to unlock climate-smart private investment for developing countries through guarantees, equities and providing sufficient upfront risk capital, but it is not necessarily attracting new capital with blended finance (Global Affairs Canada 2019b). Green bonds, social bonds and other incremental steps are not sufficient because there is still a disconnect between private and public understandings of frontier markets, and market incentives for climate-smart investments are lacking (ibid.). Another reason many aspects of multilateral financial systems are currently not maximizing climate-resilient development is that alignment in global financial institutions on CCD is not a priority (Toronto Centre 2018).

### *Feminist International Assistance Policy*

The Feminist International Assistance Policy (FIAP) is one of the mechanisms Canada uses to access and influence the RBIO, through regional, bilateral and multilateral partnerships, with an aim to drive positive action through FIAP's mandate (Global Affairs Canada 2019a). This mandate sets the standard for advocating and implementing women's empowerment and poverty reduction strategies by "supporting targeted investments, partnerships, innovation and advocacy efforts with the greatest potential to close gender gaps" (Government of Canada 2020). Despite the success of utilizing a feminist lens in international policy, sections of the FIAP do not fully integrate environmental and climate considerations.

#### *Section One: Gender-responsive Humanitarian Action*

In both the second action area (gender-responsive humanitarian action) and fourth action area (environment and climate change), FIAP recognizes that women and girls face specific and unique risks in both contexts (ibid.). However, there is no association of the intersectionality of climate and humanitarian action within the policy, demonstrated by the lack of commitment to ensure that humanitarian action is climate compatible (ibid.). A report funded by the United Kingdom argues that for humanitarian action to be considered climate compatible it must manage climate impacts and that "doing so could also help ensure actions do not exacerbate climate vulnerabilities or lead to maladaptation" (Peters et al. 2019). Without ensuring climate compatibility, recovery and assistance work is arbitrarily and harmfully siloed.

#### *Section Two: The FIAP Tool Kit*

The tool kit advises how to properly utilize the Gender-based Analysis Plus when establishing a FIAP project. The tool kit states that economic, social, political, environmental, and institutional capacity assessments are informed by gender analyses in projects (Government of Canada 2019). However, there is no requirement or mention of incorporating environmental or climate capacity or risk assessments. This is a critical gap, as environmental and climate risk assessments should be used to identify existing and potential vulnerabilities in a project, as well as ensuring that development plans align with national- or regional-level climate adaptation and economic development plans (Peters et al. 2019). Environment capacity assessments are also essential to

ensuring partners can achieve climate and environmental goals while aligning with existing plans. The optional environment technical advisers that can be added onto projects do not have environment/climate capacity or risk assessments listed in their FIAP job description (Government of Canada 2019).

#### *Emerging Threat: COVID-19*

All active or anticipated development projects are now being carried out in the context of COVID-19. The United Nations Development Programme (UNDP) anticipates COVID-19's impact to reach well beyond 2020, extending as far as a decade from now (UNDP 2020). Post-pandemic recovery must not only address "a health crisis in the short term but [a] devastating social and economic crisis" (ibid.) in the long term. With estimated income losses exceeding a combined \$220 billion, there will be significant damage to education and health systems, human rights, and food security (ibid.). Addressing these damages with the long term in mind can further advance CCD goals.

## Policy Options

### **1. Assure environment and climate change is addressed at every level of the development assistance policy process**

Presently, Canada has identified the empowerment of women and girls as *the* necessary consideration within every development project. Moving forward, the universality of feminism needs to be supported by a universality of climate conscious development. In order to acutely and accurately address the climate change emergency, the environment and climate change aspect of development, as identified in FIAP, can no longer be only a secondary consideration. Canada can use the international regulatory instruments mentioned above to steer a transformative approach to CCD and add value to FIAP. In understanding that FIAP exists as an important mechanism for Canada to engage with the RBIO, a universality of climate conscious development can also ensure Canada's climate goals are projected on a global scale.

#### *A) Climate compatible humanitarian assistance*

Canada has been recognized as a global leader in providing humanitarian assistance to help those affected by natural disasters and conflict (Government of Canada 2020). Through FIAP, Canada has committed to increase support

for women and girls and local groups providing emergency assistance during humanitarian responses and ensuring that all partners invest and report on gender data and analysis (ibid.). These commitments should be extended to ensure that all humanitarian assistance and partnerships utilize climate compatible strategies, to ensure that maladaptation and further exacerbation of climate change does not occur.

#### *B) FIAP 2021/2022 Target*

FIAP states that "by 2021/2022, no less than 95 percent of Canada's bilateral international development assistance initiatives will target or integrate gender equality and the empowerment of women and girls, of which 15 percent will be specifically targeted gender equality" (ibid.). To better reflect and track Canada's commitment to climate action, this target could also include integrating CCD strategies into 95 percent of bilateral international development assistance initiatives. In the current commitment, environment and climate action initiatives may be used broadly as tools to create gender equality and empowerment to achieve the 95 percent, but without a specific target, there is no source of accountability to a percentage of environment and climate development. A concrete commitment to environment and climate action initiatives would further strengthen the goals of gender empowerment and equality, as the integration will better address the climate-poverty-gender nexus.

### **2. Support multilateral financing initiatives for CCD**

Inclusive international financial systems and sound financial sector regulation that support CCD are needed. For example, blended finance is important for the implementation of CCD strategies and Canada could push for financial sector regulation to maximize opportunities for new catalytic tools and sources of capital to be identified. However, although blended finance has long been a priority for development assistance, certain development organizations are starting to question the effectiveness of reliance on the private sector, since public and private priorities are not always congruent (Pereira 2016).

## Recommendations

1. **Canada should ensure climate mainstreaming in its development assistance programming.** All humanitarian action and assistance through FIAP should be committed to being climate compatible, to reduce the risk of climate change exacerbation and maladaptation. The FIAP bilateral agreement target should include a commitment to ensuring that 95 percent of all initiatives are climate compatible. Canada should also put CCD on the agenda at every meeting of the G7, G20 and the UNFCCC Conference of the Parties by proposing monitoring and evaluation systems with data and indicators that adequately assess the long-term impact of development finance on the climate; and by proposing that the empowerment of women and girls be integrated into international regulatory instruments and domestic policies.
2. **Canada should direct efforts toward CCD policy initiatives in multilateral financial institutions that bring about change using public funds.** For example, beyond physical infrastructure, Canada should support multilateral initiatives that reward public investment in international assistance for skills, education, insurance, and financial infrastructure should be used to build climate resilient communities, eradicate poverty and empower women and girls.

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## Acknowledgements

The authors would like to thank Marie-Claire Cordonier-Segger, Alexandra Harrington and Indra Noyes for their guidance and support.

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