

# Evaluation of Global Affairs Canada's Climate Finance Programming



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## Evaluation Report

*Prepared by the Evaluation Division*

*Global Affairs Canada*

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## Acronyms and abbreviations

<b>BCFP</b>	Blended Climate Finance Program	<b>GCF</b>	Green Climate Fund	<b>NAP</b>	National Adaptation Plan
<b>C2F</b>	Canadian Climate Fund for the Private Sector in the Americas	<b>GE</b>	Gender Equality	<b>NDC</b>	Nationally Determined Contributions
<b>CACF</b>	Canada-African Development Bank Climate Fund	<b>GEF</b>	Global Environment Facility	<b>NbS</b>	Nature Based Solutions
<b>CF</b>	Climate Finance	<b>GHG</b>	Greenhouse Gas	<b>ODA</b>	Official Development Assistance
<b>CFPS</b>	Canadian Climate Fund for the Private Sector in Asia	<b>GoC</b>	Government of Canada	<b>OECD</b>	Organization for Economic Co-Operation and Development
<b>CFO-Stats</b>	Chief Financial Officer statistical team	<b>Gs&amp;Cs</b>	Grants and Contributions	<b>OGD</b>	Other Government Department
<b>CGIAR</b>	Consultative Group on International Agricultural Research	<b>HQ</b>	Headquarters	<b>OIF</b>	Office of Innovative Finance
<b>CIF</b>	Climate Investment Funds	<b>IDB</b>	Inter-American Development Bank	<b>SCM</b>	People and Corporate Affairs Branch and Chief Financial Officer
<b>COP</b>	Conference of the Parties	<b>IFAD</b>	International Fund for Agricultural Development	<b>SIDS</b>	Small Island Developing State
<b>CRC</b>	Conditionally Repayable Contribution	<b>IISD</b>	International Institute for Sustainable Development	<b>UK</b>	United Kingdom
<b>CSO</b>	Civil Society Organization	<b>KPI</b>	Key Performance Indicator	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>CTF</b>	Clean Technology Fund	<b>LDC</b>	Least Developed Country		
<b>DFI</b>	Development Finance Institution	<b>LDNF</b>	Land Degradation Neutrality Fund		
<b>ECCC</b>	Environment and Climate Change Canada	<b>MERL</b>	Monitoring, Evaluation, Reporting and Learning		
<b>GAC</b>	Global Affairs Canada	<b>MDB</b>	Multilateral Development Bank		
<b>GBA Plus</b>	Gender-based Analysis Plus	<b>MT</b>	Million Metric Tons		

## Executive summary

The evaluation examined climate finance programming delivered by Global Affairs Canada (GAC) as part of the Government of Canada's (GoC) public climate finance commitments. It covered the period between 2010 and 2024 and aimed to 1) support effective and efficient delivery of GAC's programming and 2) inform the planning and rollout of public climate finance beyond 2026. This report presents findings, conclusions, recommendations and considerations for improvements.

The evaluation found that the delivery of climate finance provided GAC with unique opportunities to increase its reach, capacity and programming tool kit, and presented significant challenges.

The department succeeded in disbursing high volumes of climate finance, the majority of which was innovative concessional finance delivered as unconditionally repayable contributions (URCs). Over time, GAC demonstrated incremental learnings and increased in-house expertise to manage concessional finance and the climate finance commitments overall. GAC's financing supported a wide range of mechanisms within the global climate finance architecture and reflected evolving priorities of the international climate and sustainable development agenda.

The evaluation found several points of misalignment between Canada's broad climate finance objectives, the structure of the commitment funding profile and budget targets. There was a lack of prioritization of climate finance policy objectives and definition of success. A high proportion of commitment funding was allocated for URCs, which were more suitable to support climate change mitigation efforts in higher-income contexts. These limitations made it challenging for GAC to meet adaptation targets and to optimize the strengths of funding mechanisms and partnerships.

Much of GAC's climate finance was delivered through multilateral channels, which provided limited visibility or opportunities to influence programming decisions. The approach taken by GAC to engage large multilateral partners to deliver URCs balanced operational efficiency in disbursing high-volume funding with small resources and short timelines. However, delegating decision making to URC partners limited oversight. The evaluation found that URC partners pursued lower-risk investments and did not demonstrate consistent attention to financial and development additionality. Over time, URC agreements and results frameworks have improved to include an increased number of indicators to track URC performance but setting climate and development targets have been challenging.

To date, GAC's climate finance achieved strong results in climate change mitigation and mobilized some private sector financing, particularly in middle-income countries. Progress was also made in advancing gender equality opportunities, implementing nature-based solutions, increasing climate resilience of local communities and building capacity of government institutions, although their long-term impact and sustainability were less evident.

### Summary of recommendations

#### Commitment level

1. Identify a strategic focus and targeted priorities to operationalize broad policy objectives, align those with the funding profile and instruments, and communicate to implementing partners.
2. Pursue a portfolio-level programming approach to strategically leverage partner strengths and opportunities.
3. Streamline performance measurement to focus on climate finance policy results.
4. Review interdepartmental governance to balance strategic and technical expertise in oversight.

#### Climate finance URCs

5. Improve communication, transparency and visibility of URC investments.
6. Review environmental and gender coding to reflect URC investments made.

#### Repayable contributions

7. Improve financial risk management of repayable contributions.
8. Review internal governance to increase sound stewardship of repayable contributions.

## Program background

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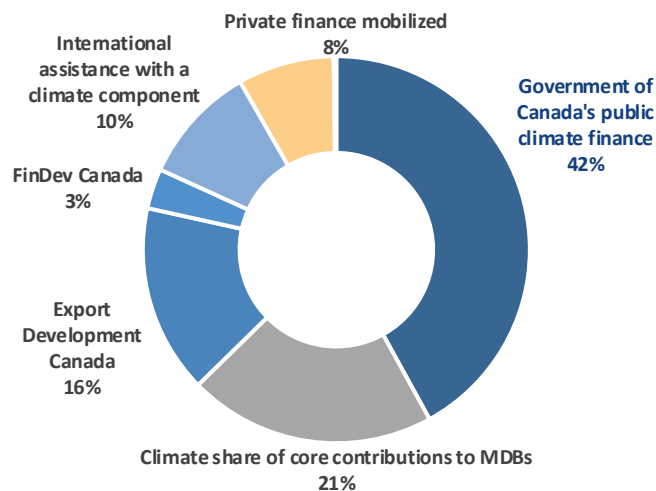
# Program background

## Climate finance overview

Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.

United Nations Framework Convention on Climate Change (UNFCCC)

**Figure 1: Sources of Canada's climate finance\***



Canada's contribution toward the joint global climate finance target of mobilizing US\$100 billion annually is achieved through a variety of public and private sources. Forty two percent (42%) comes from the GoC's public climate finance commitments.

Source: Environment and Climate Change Canada reporting (May 2025).

\* Note: Reflects the period from 2015 – 2023. Reporting against all sources of climate finance is not available prior to 2015.

## Program rationale

Climate change and related climate hazards (e.g. heat stress, droughts, floods, storms, water stress, sea level rise) are recognized as major global challenges and are inextricably linked to poverty, instability, displacement, biodiversity loss and other global stressors. There is robust evidence that climate hazards pose high risk to global livelihood resources, endangering the lives, health and food security of humans, plants and animals. These effects disproportionately affect the poor and most vulnerable populations, including women and girls.

Climate finance plays a key role in supporting climate action in developing countries, which have limited resources and capacity to mitigate and adapt to climate change impacts. The scale of funding needed for climate action is estimated to exceed US\$1 trillion annually, which requires diversified financing from public and private actors.

## International climate finance actions

At the 2009 United Nations Climate Change Conference in Copenhagen (COP15), developed countries committed to mobilizing US\$100 billion annually by 2020 for climate action in developing countries and pledged US\$30 billion in fast start financing for the first 3 years. The goal was to be achieved through bilateral and multilateral sources, both public and private. The GoC's first action in support of this collective goal was to commit \$1.2 billion in public fast start financing from 2010 to 2013, with a significant focus on concessional finance to incentivize private sector engagement.

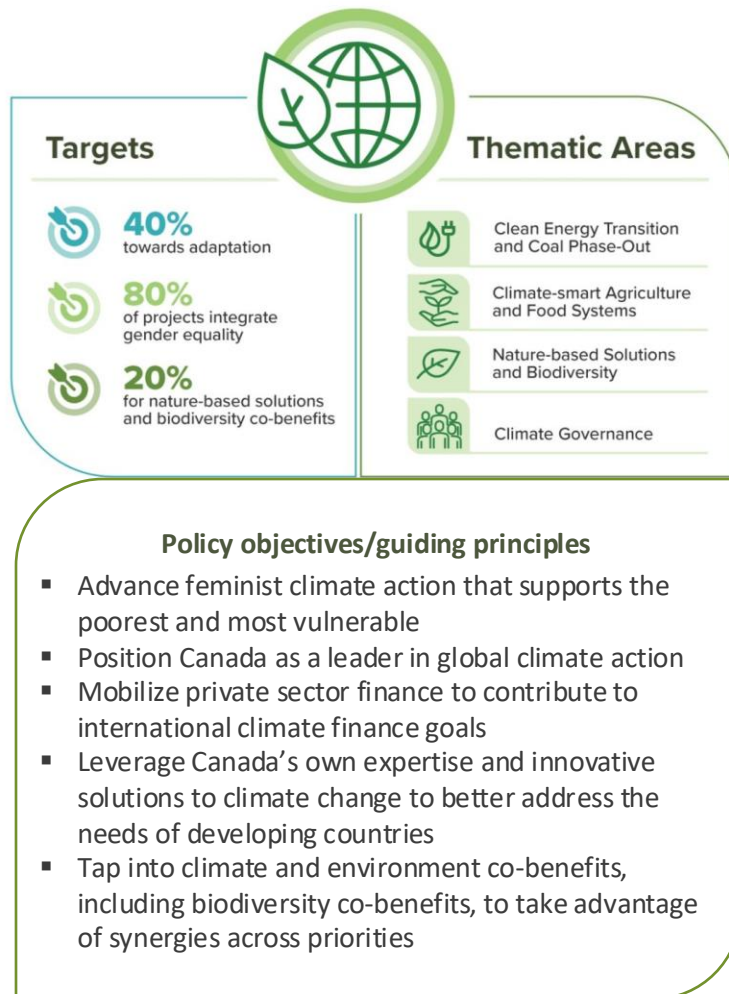
At the 2015 Paris Climate Change Conference (COP21), Canada and other developed countries reaffirmed their commitment to mobilize US\$100 billion in climate finance through 2025 to advance the goals of the Paris Agreement. The GoC committed \$2.65 billion in public climate finance for 2015 to 2021.

In 2021, the GoC doubled its public climate finance commitment to \$5.3 billion from 2021 to 2026, increasing funds for adaptation and biodiversity co-benefits programming. This was done to support the Glasgow Climate Pact (COP26) agreement to double adaptation finance by 2025 and to address priorities of the G7 2030 Nature Compact to tackle biodiversity loss. That year, Canada and Germany co-led the development of the Climate Finance Delivery Plan to create momentum to meet and deliver on the US\$100 billion annual target. An analysis done by the Organisation for Economic Co-operation and Development (OECD) confirmed that the goal was met for the first time in 2022, with US\$115.9 billion mobilized, of which 20% came from private finance.

## Program background

### Government of Canada's climate finance objectives and priorities

Figure 2: Objectives, priorities and targets of the \$5.3 billion climate finance commitment



### Government of Canada's public climate finance commitments

The GoC has made 3 international public climate finance commitments in support of reaching the global climate finance goal for climate action (see figure 1). Each commitment has had its specific budget objectives, targets and priorities.

#### \$1.2 billion climate finance commitment (2010 to 2013)

Under the first commitment, the GoC pursued 5 objectives: support effective global mitigation and adaptation; build support for a fair, effective, and comprehensive post-2012 climate regime; strengthen effective delivery channels that could form part of the post-2012 architecture; maximize the recognition of Canada's contribution to effective global climate action; and develop Canadian strengths and capacities and leverage the impact of existing financial support. There was an overall budget target of \$1.2 billion. The main thematic priorities included clean energy, adaptation by the poorest and most vulnerable countries, and forest and agriculture.

#### \$2.65 billion climate finance commitment (2015 to 2021)

Under the second commitment, the GoC pursued 4 policy objectives: support climate resilience in the poorest and most vulnerable countries; support mitigation action in developing countries, consistent with their nationally determined contributions under the Paris Agreement; catalyze private sector finance and expertise; and take a leadership role in climate-related multilateral institutions. It established an overall budget target of \$2.65 billion and one sub-target related to climate change adaptation efforts (25%). It did not include thematic priorities.

#### \$5.3 billion climate finance commitment (2021 to 2026)

Under the third commitment, the GoC aims to help developing countries transition to low-carbon, climate-resilient economies. The commitment's policy framework consists of 4 thematic areas and 5 policy objectives/guiding principles (see figure 2). In addition to the overall budget target of \$5.3 billion, several budget sub-targets are established. These include 40% of funding for climate change adaptation purposes, 20% of funding for programming that leverages nature-based climate solutions (NbS) and contributes biodiversity co-benefits and 80% of projects target gender equality (GE) outcomes.

# Program background

## Program delivery

Figure 3: Program governance



## Program roles and responsibilities

The GoC delivers on its public climate finance commitments through the International Climate Finance Program (the Program), jointly led by GAC and Environment and Climate Change Canada (ECCC). The Program employs a whole-of-government approach, aiming to leverage the expertise of relevant GoC departments and crown corporations and to ensure complementarity across governmental mandates and priorities related to climate finance.

GAC leads the implementation of the GoC's international public climate finance (CF). It has been responsible for disbursing over 96% of the \$2.65 billion and \$5.3 billion commitments, and 63% from \$1.2 billion commitment.\* ECCC is the lead department for negotiating international commitments and for tracking and reporting on CF at the UNFCCC. As a party to the UNFCCC and signatory of global climate agreements, Canada is subject to reporting and review requirements that include CF, among others. Both departments collect data, work jointly to aggregate information and fulfill reporting obligations.

A new whole-of-government governance structure (see figure 3) was developed to support the implementation of the Program for the \$5.3 billion commitment. It includes interdepartmental governance mechanisms that provide strategic advice on whole-of-government CF programming and ensure coherence between the GoC's climate priorities. Within GAC, Program implementation is supported by a director general-level committee and involves additional governance mechanisms for concessional finance.

## GAC teams supporting climate finance implementation

In 2024, GAC implemented a new organizational structure that realigned its functions, including those implicated in the delivery of CF. The Development Finance Bureau (YLD) within the International Assistance Partnerships and Programming Branch (YFM) serves as the departmental CF lead for CF strategy, planning and reporting. It is responsible for programming most of GAC's CF concessional finance, grant funding to the core global climate funds and building partnerships for climate action with Canadian civil society organizations (CSOs). The Global Health and Food Security Bureau (YSD) manages funding for agriculture and food security partners, while the geographic branches (EGM, NGM, OGM and WGM) deliver bilateral development programming that supports climate efforts.

Other teams supporting climate finance implementation include the International Assistance Operations Bureau (YOD) that houses environment and gender specialist functions, and the Grants and Contributions Management Bureau (SGD) with the Office of Innovative Finance (SGI) for financial due diligence.

\* ECCC delivers a portion of CF programming, focusing on supporting capacity building and governance activities. The Department of Finance disbursed the GoC's first concessional finance to the International Financial Corporation, now administered by GAC.

# Program background

## Departmental climate finance resources

Figure 4: URC share of GAC's CF disbursements

	<b>\$1.2B</b>	<b>\$2.65B</b>	<b>\$5.3B</b>
URCs	70%*	71%	63%**

\* does not include the GoC's first disbursements to the International Finance Corporation made by the Department of Finance

\*\* as of March 31, 2024

Figure 5: Median CF project disbursements

	<b>\$1.2B</b>	<b>\$2.65B</b>	<b>\$5.3B*</b>
URCs	\$200M	\$150M	\$175M
Gs&Cs	\$2.9M	\$1.9M	\$3.7M

\* as of March 31, 2024

Source: CFO Stat CF database, extracted May 2025.

## Funding instruments, mechanism and partnerships

The GoC's public CF is delivered through a mix of funding instruments, including traditional grant funding (grants and non-repayable contributions or Gs&Cs) and innovative finance instruments in the form of unconditionally repayable contributions (URCs). The funding profile of each commitment varied, but a large portion of the total CF has been dedicated to URCs (see figures 4 & 5).

### Concessional finance

URCs are innovative concessional funding instruments that must be repaid according to the specific repayment terms negotiated with the partner. They have higher concessionality compared to market loans. They are used to incentivize private sector investments in low-carbon and climate-resilient activities in developing countries. Funds allocated through URCs have a long-term horizon of 15 to 25 years, with programming results taking longer to materialize than typical development projects. GAC has used URCs to support multilateral development banks (MDBs) through bilateral concessional facilities and through the Climate Investment Funds (CIFs), the Green Climate Fund (GCF), the International Fund for Agricultural Development (IFAD), and private investors (See **Annex A** for the list of disbursed URCs). GAC is the only GoC department managing CF URC funding. As of March 2024, GAC has delivered 23 CF URCs projects, ranging in size from \$28 million to \$1 billion. Of those, 10 URCs are through multilateral collaboration (pooled funding) and 13 are bilateral collaboration.

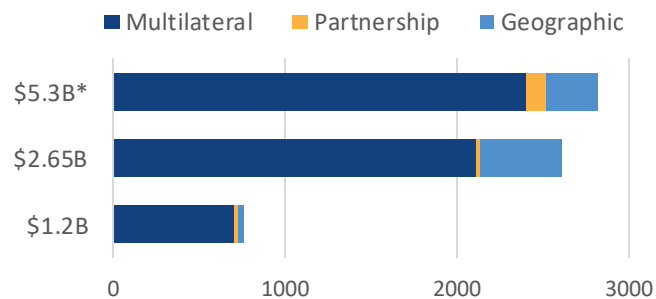
### Grant funding

The department leverages grant funding to support a diverse range of climate activities globally, regionally and nationally. Funded Gs&Cs are delivered through global climate funds, UN agencies, CSOs and other implementing partners (e.g. other donors, private sector). GAC uses Gs&Cs to provide institutional support to key global multilateral climate mechanisms, fund bilateral programming and support URC implementation through technical assistance. GAC has also dedicated a portion of grant funding for the Partnering for Climate Initiative (\$315 million) that funds projects from civil society, Indigenous Peoples and other organizations in Canada to support climate change adaptation through NbS in Sub-Saharan Africa. As of March 2024, GAC has made 246 disbursements totalling \$2,042 million in Gs&Cs and on an encashment basis (i.e. payments to multilateral agencies cashable by the recipient institutions).

# Program background

## GAC program disbursements

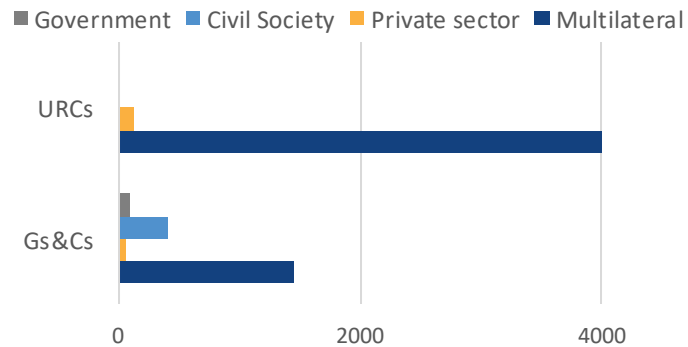
**Figure 6: Disbursements by GAC Branches<sup>1</sup> in \$M**



Notes: <sup>1</sup> represents branch-level disbursements prior to the 2024 reorganization, as follows: Multilateral Branch, Partnership for Development Innovation Branch and 4 geographic Branches.

\* as of March 2024.

**Figure 7: Implementing partners, by funding instrument, in \$M**



Source: CFO Stat CF database, extracted in May 2025.

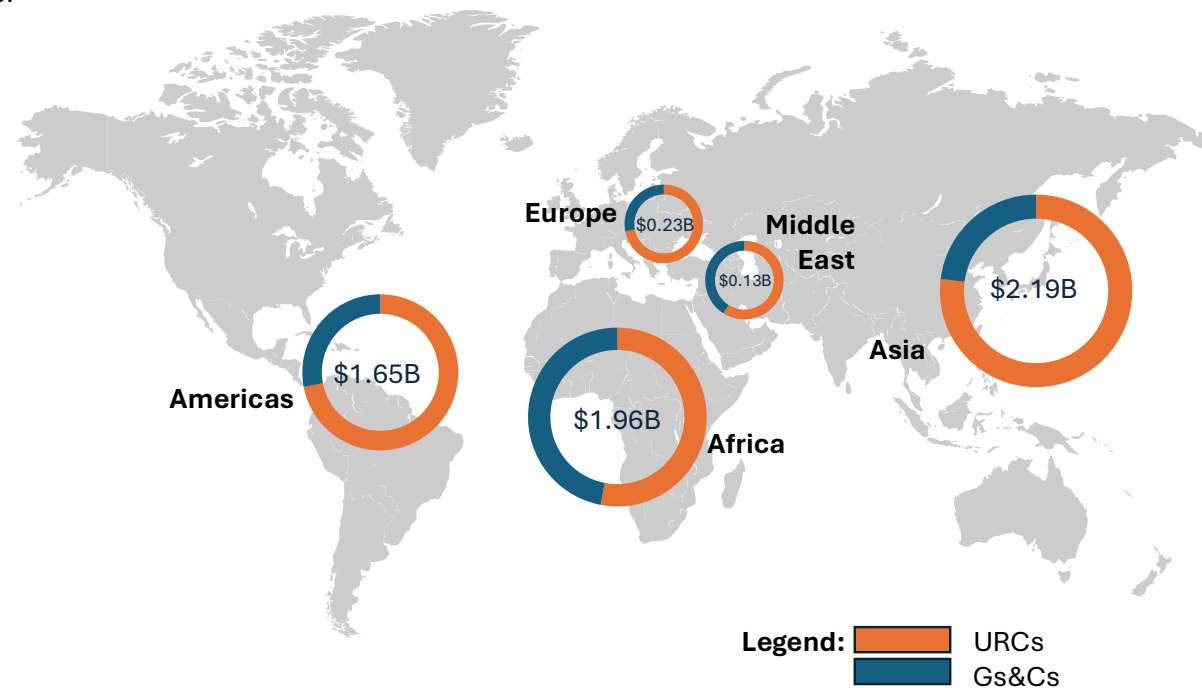
GAC’s disbursements across the 3 CF commitments amounted to \$6.2 billion, of which \$0.75 billion were made between 2010 to 2011 and 2012 to 2013, \$2.6 billion between 2015 to 2016 and 2020 to 2021, and \$2.8 billion between 2021 to 2022 and 2023 to 2024. The vast majority (99.5%) of GAC’s CF disbursements were official development (ODA) funding and were made by the Multilateral Branch (see figure 6).

The number of projects delivered by GAC rose notably across the 3 commitments. While 28 projects were delivered under the \$1.2 billion commitment, 127 projects were delivered under the \$2.65 billion commitment and 114 projects were delivered as of March 2024 under the \$5.3 billion commitment.

Multilateral organizations were consistently the main delivery partners (see figure 7), implementing, on average, 89% of CF programming across the commitments.

GAC’s programming had a wide geographic reach through URCs and Gs&Cs (see figure 8 below). The highest concentration of URCs was in Asia at 77% of the regional CF disbursements and the lowest in Africa at 53%.

Figure 8:



## Evaluation Scope and Methodology

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# Evaluation scope and objectives

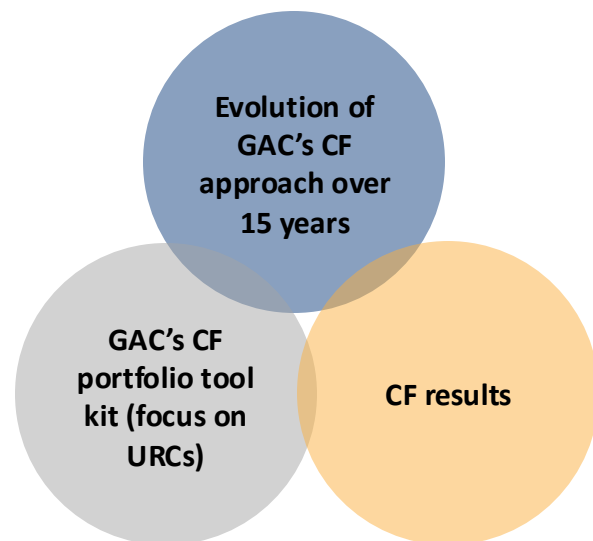
## Evaluation scope

The evaluation covers GAC's CF programming and includes the GoC's 3 international public CF commitments:

- \$1.2 billion (2010 to 2013)
- \$2.65 billion (2015 to 2021)
- \$5.3 billion (2021 to 2026)

Elements of interdepartmental delivery of the International Climate Finance Program was conducted jointly with ECCC's evaluation team.

**Figure 9: Evaluation priorities**



## Evaluation purpose and objectives

The evaluation of GAC's CF programming is included in the Departmental 5-Year Evaluation Plan to meet the coverage requirements of the Treasury Board Policy on Results and the requirements of the International Climate Finance Program Treasury Board Submissions.

The **purpose of the evaluation** is to generate findings, conclusions and recommendations to support the effective and efficient delivery of Canada's CF commitments and to inform CF planning and roll-out beyond 2025 to 2026.

The **objectives of the evaluation** are to:

- examine the relevance, coherence, delivery and results of GAC's CF programming
- provide evidence to inform the design and rollout of future CF commitments
- identify lessons learned on the management of thematic commitments within the department.

Given the complexity and large temporal and thematic scope of the evaluation, the evaluation team identified several priorities. These included documenting and learning from the evolution of GAC's approach to CF over the past 15 years, examining the strengths and weaknesses of GAC's CF tools (i.e. funding instruments and mechanisms) and assessing programming results that have received little prior evaluation coverage.

## Evaluation approach

The evaluation applied the following approaches to meet its purpose and objectives:

- **Utilization-focused evaluation:** The evaluation was intentionally and explicitly conducted to meet the information needs of the evaluation users and included several stakeholder engagement mechanisms.
- **Footprint evaluation:** The evaluation explored the environmental sustainability of CF programming and the complex interplay between human and natural systems. It assessed direct environmental outcomes and their relationship with development and nature/biodiversity co-benefits.
- **Gender-based Analysis Plus (GBA Plus):** The evaluation applied a GBA Plus lens to assess how CF impacts different sub-groups in different contexts.

# Evaluation questions

The evaluation assessed 3 issues: Relevance and Coherence, Delivery (Efficiency), and Results (Effectiveness and Sustainability):

Evaluation issue	Questions and sub-questions
<b>Relevance and Coherence</b>	<p><b>Q1. To what extent have Global Affairs Canada’s climate finance tool kit and programming evolved and aligned with:</b></p> <ul style="list-style-type: none"> <li>1.1. Canada’s climate and development policy objectives and priorities?</li> <li>1.2. global climate and development cooperation agendas and commitments?</li> <li>1.3. developing countries’ climate and development needs and priorities?</li> <li>1.4. emerging global evidence and other donor effective practices in climate finance?</li> </ul>
<b>Delivery (Efficiency)</b>	<p><b>Q2. Are departmental structures, systems, processes, and capacity adequate to support the implementation of climate finance commitments and the scaling up of climate finance programming?</b></p> <ul style="list-style-type: none"> <li>2.1. How well is Global Affairs Canada set up to efficiently and effectively manage repayable contributions compared to non-repayable grants and contributions?</li> <li>2.2. What lessons can be learned from the management of the climate finance commitments in relation to commitment planning, tracking and reporting, governance and decision making, programming processes, technical guidance and internal communication, external outreach and engagement and human resource capacity?</li> </ul>
<b>Results (Effectiveness and Sustainability)</b>	<p><b>Q3. Across the climate finance tool kit, has Global Affairs Canada achieved or contributed to intended or unintended:</b></p> <ul style="list-style-type: none"> <li>3.1. private finance mobilization results?</li> <li>3.2. climate change mitigation results?</li> <li>3.3. climate change adaptation results?</li> <li>3.4. development and nature/biodiversity co-benefits?</li> <li>3.5. gender equality results?</li> <li>3.6. results in leveraging Canadian expertise and leadership in climate finance?</li> </ul> <p><b>Q4. What were the major factors facilitating and hindering:</b></p> <ul style="list-style-type: none"> <li>4.1. the achievement of results?</li> <li>4.2. the sustainability of achieved results beyond implementation?</li> </ul>

## Methodology

The evaluation used a mixed-methods approach to collect data from a range of sources and by using different methods. Each finding was triangulated using multiple lines of evidence and a mix of quantitative and qualitative data. The following methods were used:

### Financial and reporting data analysis

The portfolio and allocation analysis profiled and analyzed GAC's CF programming, its achievement of CF budget targets and evolution across the 3 commitments. Disbursement data, URC sub-project data, private sector mobilization data, key performance indicator (KPI) data and the climate finance results survey were reviewed to provide an aggregate perspective on CF programming performance.

### Document review

Relevant documentation from the Government of Canada, Global Affairs Canada, international organizations, academic institutions and developing country governments was reviewed to understand GAC's CF programming, global climate and development agenda and priorities, the global CF architecture and country priorities.

### Key informant interviews

Individual and group interviews were conducted with a variety of stakeholders. The evaluation team completed 31 interviews with staff and management, 11 interviews with representatives from other Government of Canada organizations and 9 interviews with representatives from CF implementing partners. The interviews offered perspectives across the evaluation questions at the programming level.

### URC cost-effectiveness analysis

A cost-effectiveness analysis of different types of URCs was applied to evaluate comparative advantages, costs and outcomes. It assessed relative cost-effectiveness of a sample of 8 URCs from the \$1.2 billion and \$2.65 billion commitments in achieving the 6 types of results examined by the evaluation through the review of 130 documents and 26 interviews.

### Rapid evidence synthesis

The rapid evidence synthesis identified and summarized global evidence to identify trends, best practices, and limitations of CF. Sources included evidence syntheses and peer-reviewed literature.

### Donor scan

The scan of CF policies, practices and programming supported by other key bilateral donors (United Kingdom, Netherlands, France, and Germany) was carried out through the review of publicly available documents and data, and interviews with staff, to identify promising practices in the use of CF mechanisms and approaches and achieved results for comparative purposes.

### Country case studies

Three country-level case studies were used to assess CF relevance and performance of GAC's various CF tools across different country contexts: middle-income country (Indonesia), least-developed country (Senegal) and small island developing state (Jamaica). The case studies applied the principles of the outcome harvesting approach to capture project-level results achieved. The case studies involved 94 interviews and focus groups, 11 project site visits, project file reviews and country-level document review.

# Evaluation limitations and mitigation measures

## Limitations

### Programming complexity and breadth

GAC's CF programming is a complex portfolio composed of various financial instruments, mechanisms and partnership modalities that have pursued complementary, but distinct, policy objectives. CF programming covers a wide variety of geographic and development contexts and has evolved across the 3 public CF commitments. This evolving complexity posed a challenge to ensuring adequate evaluation coverage and generating evaluation findings that are generalizable across commitments and contexts.

### Multiple responsibility centres and stakeholders

The delivery of CF programming is decentralized across multiple departmental responsibility centres and, as of 2021, is coordinated by the Climate Finance Division (YLC), which acts as the departmental lead on CF. Different teams within GAC work alongside those in other government departments to deliver the public CF commitments, coordinating several key roles involved in strategy development, planning and reporting. This made coordinating the evaluation process and ensuring that all relevant stakeholders were meaningfully and appropriately involved a priority.

### Monitoring and tracking limitations

Performance management practices, monitoring and reporting had notable weaknesses across the CF commitments. This limited the availability of reliable and comparable data for the evaluation. Further, as multilateral delivery is the predominant delivery channel of GAC's CF, details on specific sub-projects or sub-investments were not always readily and systematically available.

### Long time frame for climate finance results

The nature of CF projects and their intended results (e.g. reductions in emissions, increases in resilience) require significant time to materialize. As a result, many CF projects use estimates of expected (rather than actual) results based on an *ex ante* impact analysis.

## Mitigation measures

### Strategic coverage and deep-dives

As the first full-scale evaluation of GAC's CF, it identified clear priorities for examination and used a strategic approach that combined assessments at the CF portfolio and project levels and at the level of CF tools. Multiple lines of evidence were used, triangulating qualitative and quantitative data. An advisory group of external stakeholders was established to leverage global expertise on CF programming and evaluation to ensure that evaluation findings are situated within the global research context.

### Targeted stakeholder engagement mechanisms

The evaluation team implemented several mechanisms to engage stakeholders throughout the evaluation process. These included a working-level contact group with staff from the offices of primary and secondary interest, coordination with ECCC's evaluation team, an external advisory group to provide subject-matter expertise, and a director general-level steering group for strategic direction and the coordination of management response to evaluation recommendations. Evaluation progress updates and draft products were shared across all mechanisms.

### Analytical approaches to unpack achieved results

The evaluation used multiple lines of evidence to fill the gaps in monitoring data. To assess the variety of CF programming outcomes achieved by different CF tools, the evaluation team used an outcome harvesting approach to profile and classify outcomes that emerged at the country level. It further applied a cost-effectiveness analysis to take a deep dive into results achieved by CF URCS. It reviewed existing CF databases and results to identify relevant data.

### Expanded temporal scope of the evaluation

To assess and validate actual and projected CF results the evaluation team included programming from the \$1.2 billion and \$2.65 billion commitments in its scope. The achievement of actual results will materialize at the end of their lifecycle.

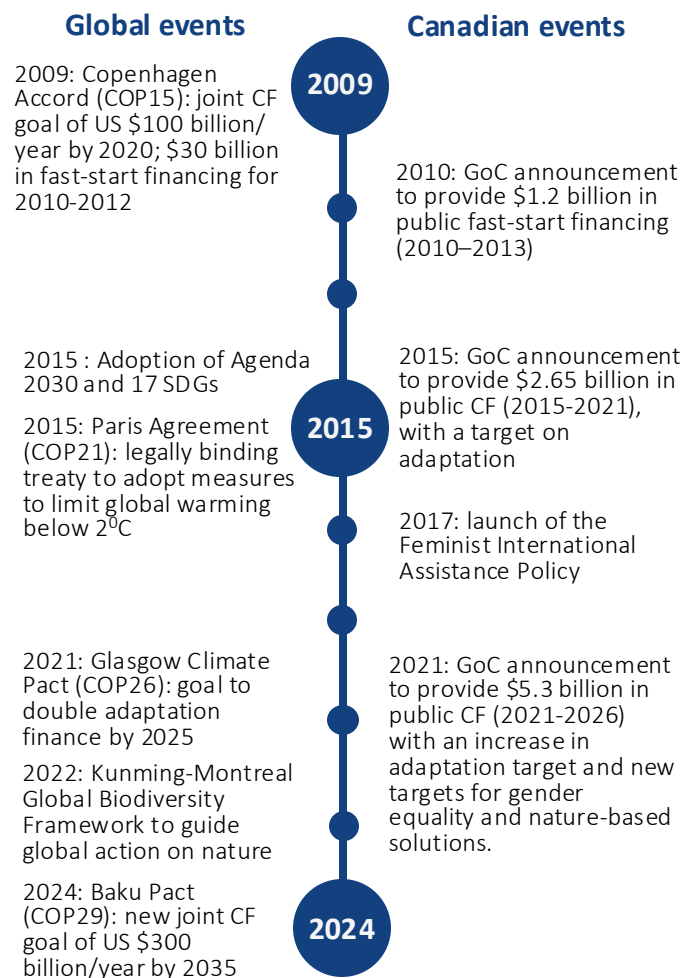
## **Findings: Relevance and Coherence**

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# Relevance and coherence

## Evaluation and alignment of CF commitments

**Figure 10: Notable events setting climate and development agenda and priorities**



### F1: GAC's CF programming has aligned with the global climate and development agenda and supported multiple elements within the global CF architecture.

GAC's CF is part of a complex and evolving system of global commitments and CF architecture that has seen notable increases in funding flows, climate actors and delivery mechanisms. Literature review, interviews and disbursement analyses confirmed that GAC's CF actions across the 3 commitments aligned with international agenda and priorities overall (see figure 10). The assessment, however, was constrained by a lack of key CF definitions in key international agreements (e.g. use of "new and additional" to ODA resources for CF, a balance between mitigation and adaptation) and limited accountability mechanisms. Since the launch of the global CF goal to provide US\$100 billion annually by 2020, the GoC and other donors have notably scaled up their contributions. The global funding flows reached the CF goal for the first time in 2022; however, most bilateral donors, including Canada, continue to be rated as falling below their "fair" CF share by international and Canadian groups tracking global CF contributions.

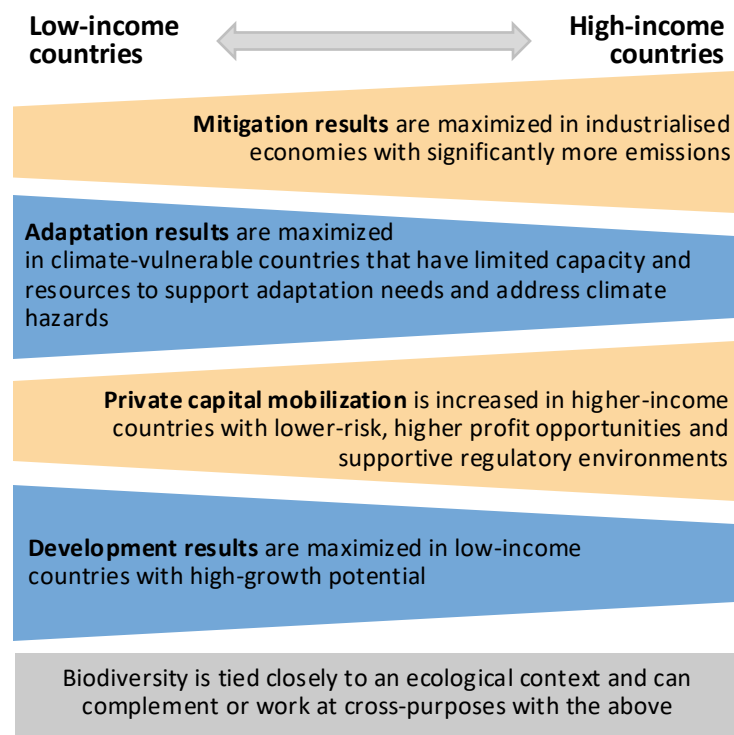
GAC has been an early funder of multiple global CF mechanisms, including UNFCCC operating entities (e.g. Global Environment Facility (GEF), Global Climate Fund (GCF), global climate-related funds (e.g. Climate Investment Funds (CIFs)) and key multilateral partners for climate action (e.g. MDBs, IFAD). GAC has also developed new bilateral mechanisms through its concessional and grant funding. These include bilateral facilities at MDBs and the Partnering for Climate initiative, which supports Canadian CSOs in providing NbS in Sub-Saharan Africa and advances Indigenous Peoples' cooperation. The department has actively pursued work on innovative finance to mobilize new sources of funding for climate through concessional finance since the first CF commitment. It doubled its adaptation funding between 2019 and 2025 (between the second and third commitments) and included provisions for integrating biodiversity recognized under the Convention on Biological Diversity.

Outside of financial support, the GoC and GAC have supported shaping and advancing the global climate and sustainable development agenda and, in 2022, co-led (with Germany) the development of a plan to deliver on the joint CF goal.

# Relevance and coherence

## CF policy objectives

Figure 11: Trade-offs in CF objectives



### CF Project Eligibility Criteria

- Has climate change (adaptation and/or mitigation) as a principal objective
- Respect ODA country eligibility
- Integrate gender equality considerations
- Align with 2 out of 5 CF policy objectives (see figure 2)
- Align with CF results framework

**F2: Policy objectives pursued by GAC's CF are broadly defined and can work at cross-purposes. In the absence of clear prioritization and well-defined commitment-level success, GAC's CF investments lacked strategic direction.**

Through its International Climate Finance Program, the GoC pursues a broad range of objectives that include:

- climate objectives that focus on limiting global warming and curbing emissions
- development objectives that prioritize reducing vulnerability, poverty and addressing inequality
- financing objectives that aim to attract private investment for development
- biodiversity objectives that seek to reverse biodiversity loss and increase ecosystem resilience

A literature review and interviews identified complex dependencies and trade-offs between these objectives (see figure 11). Interviewed stakeholders highlighted difficulties in balancing the diverse GoC CF objectives, which were heightened by the fact that Canada's official development assistance had a central focus on poverty reduction and the Feminist International Assistance Policy (introduced during the second CF commitment) prioritizes addressing inequality and empowering women and girls. The cost-effectiveness analysis and case studies provided additional evidence that strategies to maximize limited public CF resources for one objective affected the achievement of others.

Internal and external interviewees noted that, in applying the broad CF objectives, the GoC and GAC provided limited guidance to define Canada's CF ambition in terms of sought results, focusing instead on fulfilling an increasing number of budget targets (see Finding 3). A document review confirmed that there was little focus on defining commitment-level results and identifying programming and investment approaches to maximize their achievement in the \$1.2 billion and \$2.65 billion commitments. In 2022, GAC and ECCC developed a CF programming and policy framework that outlined 5 broad policy objectives, set CF project eligibility criteria (see text box) and provided guidance on the 4 targeted thematic areas. Together with a results framework, the guidance contained details on the programming rationale in each thematic area, associated logic model outcomes and possible programming pathways, but remained broad and all-inclusive. The logic model outcomes (**Annex B**) represented results at the level of development projects and did not capture the policy-level objectives associated with the commitment.

## Relevance and coherence

### GAC's CF targets

**Figure 12: GAC's disbursements by budget targets, across the commitments**

	<b>\$1.2B</b> Actual	<b>\$2.65B</b> Actual	<b>\$5.3B</b> Actual**
<b>CF Amount (\$)*</b>	\$0.76B	\$2.61B	\$2.8B
<b>Adaptation</b>	29%	32% (25% target)	36%*** (40% target)
<b>Biodiversity</b>	17%	23%	26% (20% target)
<b>GE Integration</b>	71%	95%	99% (80% target)

Source: CFO Stat database extracted May 2025.

Notes: \* Disbursements by GAC, excludes GoC public CF disbursements by other departments and agencies.

\*\* Based on the first 3 years.

\*\*\* GAC has prioritized adaptation Gs&Cs projects for new funding starting in Year 3 and is projected to meet this target with planned disbursements in Year 5.

Adaptation calculation for the \$5.3 billion commitment is based on the revised methodology for crosscutting projects that counts 70% of the projects' portion assessed as "primary" (CC2) and 30% of the portion assessed as "significant" (CC1). The revised methodology slightly increased the adaptation calculations but brought GAC more in alignment with other donor practices, many of whom allow capturing of 40% or more of the secondary objective or conduct project-level assessment to identify applicable adaptation portion.

### F3: GAC's CF programming has aligned with the increasing number of CF commitments' funding targets, impacting project selection.

GAC has disbursed its share of the GoC's public CF according to commitment funding targets. GAC fully disbursed its CF for the first 2 CF commitments and is on track to disburse its share of the \$5.3 billion commitment. Overall, the department has performed well on GE integration and the NbS and biodiversity targets. However, it faced pressure in meeting the adaptation target. GAC was previously able to meet the adaptation target for the \$2.65 billion commitment, which was established at 25% with a commitment funding profile that allocated 30% toward Gs&Cs and 70% to URCs. The department is projected to meet the 40% adaptation target for the \$5.3 billion commitment with a funding profile of 40% toward G&Cs and 60% to URCs. Both times, the achievement of those targets has been supported with planned URCs to a UN partner in the last year of each commitment.

According to program documentation, financial disbursement records and interview analyses, there were multiple challenges in meeting the adaptation target. This included limited opportunities to support adaptation programming with URCs, a significant allocation of the grant portion of the CF funding for key global mechanisms coded to mitigation and/or crosscutting themes (e.g. GEF, GCF, Consultative Group on International Agricultural Research (CGIAR)), pressure to design projects that hit multiple targets, the exclusion of projects that may have significant adaptation outcomes but are not coded with climate change adaptation or mitigation as their primary objective (e.g. some agriculture programming), an allocation of a portion of existing departmental resources that were programmed to align with branches' priorities, and a number of projects that crossed between commitments and reflected earlier priorities.

Departmental staff identified fulfilling an increasing number of budget targets challenging within a commitment time frame as it impacted project selection and made the process feel like a "tick box" exercise. Interviewed GoC stakeholders viewed GAC as a reliable partner in scaling up CF programming and meeting targets. On the other hand, they questioned whether disbursements prioritized meeting targets without knowing what results were achieved, a concern also noted by GAC staff.

Other donors (**Annex C**) similarly established CF budget targets, increasingly pursuing 50% towards adaptation, as well as biodiversity targets and committing to reach the most vulnerable in Least Developed Countries (LDCs) and Small Island Developing States (SIDS). Their ability to meet targets was facilitated by the use of grant funding (United Kingdom, Netherlands) and the application of different approaches to project coding that allowed to capture a greater portion of adaptation finance (France, Germany).

# Relevance and coherence

## GAC's climate finance targets

**Figure 13: GAC's funding instruments and mechanisms leveraged for CF, in \$M**

	\$1.2B	\$2.65B	\$5.3B*
<b>Concessional Finance (URCs)</b>			
Multilateral global climate funds (pooled funding)	\$200M	--	\$800M
Bilateral climate funds with global and regional MDBs	\$325M	\$1,346M	\$620M
Global private climate funds	--	\$53M	\$70M**
UNFCCC operating entity (GCF)	--	\$110M	\$290M
UN agency (IFAD)	--	\$340M	--
<b>Traditional Grants &amp; Contributions (Gs&amp;Cs)</b>			
UNFCCC operating entities	\$20M	\$266M	\$218M
Global climate-related funds and mechanisms (non-UNFCCC)	\$65M	\$30M	\$116M
Bilateral programming (UN agencies, CSOs, Private sector)	\$81M	\$344M	\$405M
Partnering for Climate initiative (CSOs)	--	--	\$126M
Technical assistance grants***	\$7M	\$23M	\$42M

Source: CFO Stat database, extracted in May 2025.

Notes: \* Reflects disbursement amounts as of March 2024 (first 3 years of the \$5.3B commitment)

\*\* CC2 funding from the International Assistance Innovation Program

\*\*\* Includes non-URCs technical grants

## F4: GAC has a diverse tool kit of traditional and innovative financing to deliver on public CF commitments but lacks direction for their strategic use.

Emerging global evidence underscores that no single CF instrument or mechanism can address the scale and complexity of climate-related needs. It shows that the effectiveness and alignment of CF tools varied significantly by context and objectives, and that the most impactful strategies combined multiple instruments—grants, loans, equity investments, and risk-sharing mechanisms—through targeted, complementary approaches to address diverse risk profiles, funding gaps, and developing country priorities.

The department has authority under the 2018 *International Financial Assistance Act* to use a diversified set of traditional and innovative development finance to support CF implementation. It is unique among other bilateral donors as GAC can apply financing tools that, in other countries, are more frequently used by bilateral Development Finance Institutions (DFIs)\* rather than development agencies. Interviewed internal and external stakeholders positively acknowledged the diversification of GAC's CF tool kit over time (see figure 13) as many tools have unique strengths and limitations (see findings 5 and 6).

URCs have been the predominant instrument for the delivery of GAC's concessional CF. GAC initially applied URCs in a limited fashion through working with a few MDBs but has since applied URCs to a wider range of MDBs and other partners. GAC has not leveraged conditionally repayable contributions (CRCs) for CF except for 1 technical assistance facility of \$10 million, nor other risk-sharing instruments (e.g. guarantees, equity). CRCs require repayments *only* if specified conditions materialize, which makes them more suitable for riskier investments or when financial risk cannot be quantified. GAC has continued to program Gs&Cs with a range of different partners and introduced a Partnering for Climate initiative to leverage Canadian CSOs and Indigenous organizations.

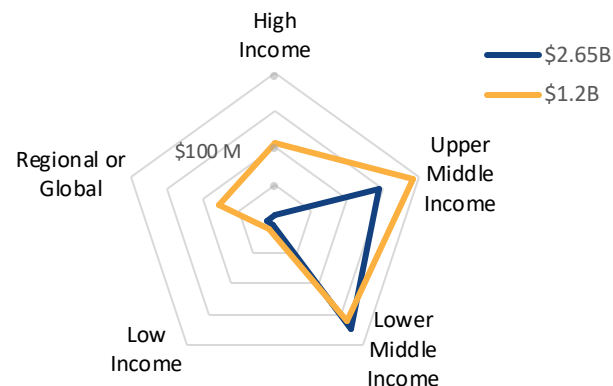
Interviewed GAC staff demonstrated a good understanding of the strengths and limitations of the use of URCs and grant funding and potential for leveraging CRCs in achieving CF objectives. They remarked, however, that the department lacked a strategy to maximize the use of available CF tools in relation to climate finance policy objectives. Case studies and document reviews showed that while coordination of CF tool deployment occurred at various levels—global, regional and national—it was generally inconsistent.

\* Canada's DFI - FinDev Canada - was established in 2018 with a mandate to support the growth and sustainability of the private sector in developing markets.

## Relevance and coherence

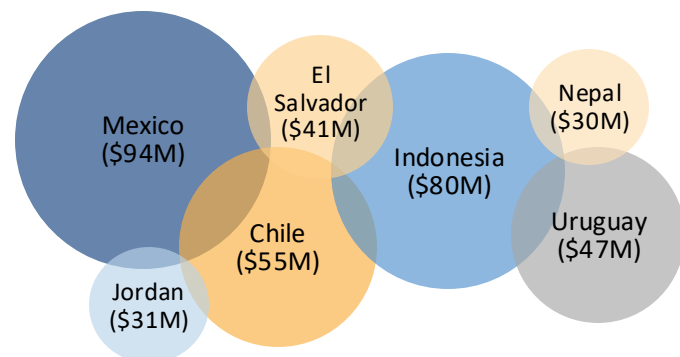
### Unconditionally repayable contributions (URCs)

**Figure 14: Investments from Canadian bilateral facilities at MDBs, by country income level**



Notes: Includes reported investments as of 2023-2024.  
High-income countries (Chile and Uruguay) were ODA-eligible at the time of investments.

**Figure 15: Top 7 Countries in Bilateral Facilities**



As of March 2023, investments from Canadian bilateral facilities were made in 45 countries, averaging \$8M (range \$0.5M to \$30M).

Source: GAC URC sub-project database, April 2024.

**F5: URCs are well positioned to support climate change mitigation efforts and attract additional public and private capital for large-scale projects. Overall, partners pursued URC investments in middle-income countries, taking on a lower level of risk than expected. As a result, GAC did not maximize the funding space available to support investments in riskier and emerging sectors, which is expected to lead to greater repayments.**

Canada is part of a small group of donors who offer concessional loans as part of their CF portfolio to de-risk development investments in challenging markets and enable projects that might not otherwise be feasible. GAC's concessional CF financing instrument—URC—represents the largest share of the GoC's public CF funding profile, but this has decreased across the 3 commitments from 73% to 60% in response to pressure for increased adaptation finance. GAC has consistently used URCs to capitalize on the work and expertise of MDBs bilaterally and through CIFs, the GCF and the IFAD, and has recently begun engaging private funds.

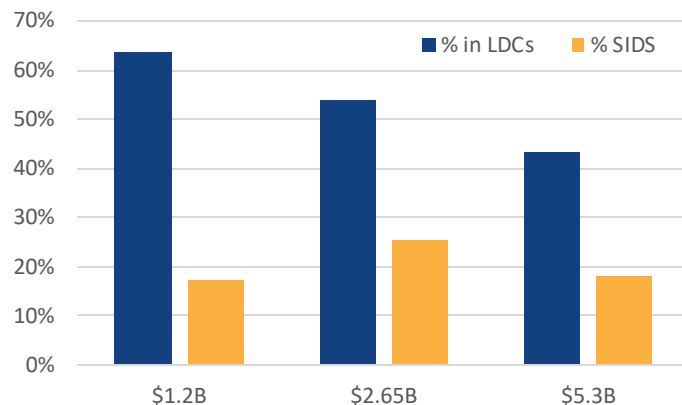
The evaluation identified that URCs were relevant tools for supporting climate change mitigation and attracting public and private capital for large-scale projects. Their relevance in other contexts, particularly in lower-income countries and in adaptation, GE and NbS spaces was diminished due to more limited or unproven options for a return on investment. Funded URCs did not have a significant reach in LDCs and SIDS. Another limitation in the use of URCs related to a limited number of partners and global climate funds within the global CF architecture accepting large-volume concessional finance, resulting in repeat funding to a small pool of partners. Further, partners that applied URCs to support adaptation and resilience provided funding in the form of sovereign or semi-sovereign loans that may further increase developing country indebtedness, although new options are being explored (e.g. in the tourism sectors, agriculture, water management).

To enhance the relevance of URCs across climate finance thematic areas and to extend the reach, GAC has recently diversified its URC engagement focus, applying more nuanced strategies to address funding gaps, such as targeting SIDS, coal phase-out and land rehabilitation, and has worked to expand URC partnerships. For bilateral URCs, this translated to shifting away from renewable energy projects in middle-income countries toward more diversified types of investments in LDCs and SIDS, many of which, however, had less clear financial and/or development additionality (see findings 12 to 13 below).

# Relevance and coherence

## Grants and contributions

**Figure 16: Gs&Cs programming in LDCs and SIDS, by CF commitment**



**Figure 17: Top 5 Countries in Gs&Cs, by commitment**

\$1.2B	\$2.65B	\$5.3B*
Ethiopia	Mali	Indonesia
Haiti	Ethiopia	Senegal
Ghana	Bangladesh	Haiti
Tanzania	Jordan	Kenya
Vietnam	Haiti	Ethiopia

\* as of March 31, 2024

Source: CFO Stat CF database, extracted in May 2025.

**F6: CF grant funding is highly relevant in lower-income contexts with significant adaptation and resilience needs. However, a large proportion of GAC's grant funding was allocated to core institutional engagements.**

Evaluation evidence confirmed that traditional grants and non-repayable contributions are flexible, accessible, and widely appealing for developing countries. The proportion of grant funding within the commitment profile has increased across CF commitments. However, the grant envelope was largely earmarked, with limited funding available outside of core institutional support to multilateral organizations and existing commitment. Both internal and external interviewees commented on these constraints, expressing the view that GAC had “only loans to offer” for new engagements.

GAC's CF grant funding is diversified and is disbursed through multilateral, bilateral and multi-bi channels. Grant funding has been directed to LDCs (44%) as well as SIDS (18%), excluding unallocated grants and regional funding. The percentage allocated to LDCs, however, has declined across the 3 CF commitment. Gs&Cs were leveraged to advance targeted gender equality objectives with GE3 programming.

GAC's grant funding to multilateral channels has strengthened the global CF architecture. The department has provided long-term funding support to the GEF, the GCF, the Multilateral Fund for the Implementation of the Montreal Protocol, CGIAR and others. In other instances, GAC has provided one-off funding, including to major mechanisms within the global CF architecture, such as the Forest Carbon Partnership Facility (\$45 million from the \$1.2 billion commitment) and the Adaptation Fund (\$10 million from the \$5.3 billion commitment).

GAC uses grant funding for bilateral CF programming managed by its geographic branches. Interviewees, case studies and documents indicate that bilateral mechanisms are nimble in their ability to respond to evolving developing country needs and priorities and can also support regional global CF architecture (e.g. Caribbean Catastrophe Risk Insurance Facility, the Kiwa Initiative to building climate resilience in the Pacific).

For the \$5.3 billion CF commitment, GAC established the Partnering for Climate initiative. CSO and GAC interviewees viewed it as a unique niche for developing Canadian expertise in the NbS space, alongside its focus on gender equality and Indigenous-led programming. However, interviewees commented on compressed implementation timelines (3 to 4 years) which negatively impacted on community engagement and sustainability prospects. Similar observations were made about short timelines of some Gs&Cs from prior commitments.

# Relevance and coherence

## Alignment with developing countries' needs

Figure 18: Alignment across Case Study Countries

	Country needs and priorities	GAC programming
Jamaica	Jamaica, a climate-vulnerable SIDS, prioritizes climate resilience, disaster risk management, and adaptation in sustainable agriculture and fisheries, infrastructure and water. Jamaica's emission-reduction priorities focus on decreasing reliance on fuel imports and expanding renewable energy supply. Strengthening institutional capacity and improving access to CF are government priorities.	GAC's programming in Jamaica includes disaster risk management, adaptation, mitigation and institutional strengthening, with a strong GE and NbS focus. GAC has expanded partnerships through the Caribbean Regional Development Program and introduced SIDS-focused URCs. Access to CF remains limited and investments in adaptation and disaster risk management are insufficient to address repeat climate shocks.
Senegal	Senegal's climate priorities are varied and include adaptation, biodiversity conservation, sustainable agriculture, coastal resilience and disaster risk management, among others. Development priorities include economic growth, governance and access to reliable and affordable energy. Increasing financing for adaptation, specifically at the local level and in climate-vulnerable areas.	GAC's CF niche in Senegal lies in adaptation programming, which aligns well with the country's climate and development needs. GAC has actively supported agriculture development and sustainable livelihoods, including through NbS solutions. However, high debt and financing costs make loan-based multilateral programming less suitable.
Indonesia	As the largest economy in Southeast Asia and a major emitter of greenhouse gases (GHGs), Indonesia prioritizes energy transition, forestry, marine affairs and blue carbon and waste management. It also has significant adaptation needs and is susceptible to climate hazards. Development priorities include economic growth, livelihoods, food security, natural resources and national security.	A wide range of GAC's CF tools are used in Indonesia and align with the country's priorities. Major multilateral and bilateral investments have been made in the development of clean energy sources, carbon markets, natural resources and the provision of technical assistance. Adaptation-focused projects have focused on sustainable livelihoods, NbS, advancing economic growth and GE.

**F7: While GAC's CF tools and programming aligned with developing countries' needs overall, the relevance of individual project investments varied and access to funding from global funds and URCs was constrained.**

Developing countries' needs are diverse, complex and evolving, making it challenging to assess the alignment of GAC's CF. Overall, CF tools and proposed programming demonstrated a responsive approach to developing countries' needs and evolved across the 3 commitments to cover more sectors and vulnerable regions. For the \$5.3 billion commitment, GAC and partners worked to design more-purposeful engagements focused on LDCs and SIDS through several URCs and the Partnering for Climate initiative. The increased use of grant funding as part of the CF portfolio in the last commitment aligns well with the needs of LDCs and SIDS overall. Documents, case studies and interviews revealed that developing countries strongly prefer grant funding, particularly countries with high debt levels and high adaptation, resilience and capacity-building needs. They also showed a preference for more bilateral programming.

The overall design and objectives of funded programming broadly aligned with the needs identified in developing countries' nationally determined contributions (NDCs) and national adaptation plans (NAPs); however, country case studies and the cost-effectiveness analysis identified examples when their implementation of URCs and grants fell short of their targeted goals. For example, some URC investments were made in efficiency or expansion of business operations of private sector companies, which had modest GHG reductions opportunities. They also had limited opportunities to provide development co-benefits outside of temporary direct employment or possible indirect employment related to increased distribution of companies' products. Some Gs&Cs agriculture projects showed insufficient integration of market development opportunities that halted the ability to achieve ultimate outcomes and led to lost opportunity associated with increased production. There were also funding gaps related to increasing developing countries' adaptive capacity (e.g. climate-resilient public infrastructure, such as bridges, water plants; adaptation finance; loss and damage).

A literature review and case studies further demonstrated that developing countries experienced challenges in accessing CF due to complex accreditation and cumbersome application processes (in the case of large UNFCCC operating entities) and poor credit ratings and market conditions (in the case of URC investments). GAC has begun addressing these issues at the executive boards of multilateral funds and with MDBs. It also funded the Climate Finance Access Network and the Commonwealth Climate Finance Access Hub.

## **Findings: Delivery (Efficiency)**

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## Delivery (Efficiency)

### Departmental capacity: URC management

Figure 19: Evolution in GAC's in-house capacity and expertise in managing URCs

Climate Finance URC Administration		
\$1.2B 2010-2013	\$2.65B 2015-2021	\$5.3B 2021-2026
No stand-alone CF team (4 staff)	Dedicated CF division (14 staff)	Dedicated CF Division (22 staff)
No teams supporting innovative finance	Office of Innovative Finance (11 staff)	Office of Innovative Finance (13 staff) Financial Analysis and Structuring Team (FAST) (6 staff)
3 URCs \$525M	12 URCs \$1,196M	20 URCs + planned URCs \$1,710M

### F8: GAC has progressively increased in-house CF capacity and expertise and refined programming processes to address the unique nature of URCs.

Across the 3 commitments, GAC has strengthened in-house expertise and tailored departmental processes for managing repayable contributions. Prior to the 2018 launch of Canada's DFI, FinDev Canada, GAC developed significant experience managing innovative repayable contributions. In contrast, studied donors leverage their long-standing DFIs to support public CF.

At the start of the \$1.2 billion commitment, a small team (4 full-time equivalent) was formed to manage repayable contributions. At the time, GAC had few staff with experience in managing complex financial transactions, so the scope of the first URCs was limited to the work with MDBs. The department expanded the CF team and launched new risk management and accountability functions, driven by increased funding and new policy authorities from CF commitments and other innovative finance programs (see figure 19). In 2016 to 2017, the department established the Office of Innovative Finance. By 2022, the Climate Finance team grew to 30 full-time staff, managing 20 of 24 CF URCs (\$3.7 billion) and leading the department's International Climate Finance Program across strategy, planning, programming and reporting. That same year, the Financial Analysis and Structuring Team (FAST) was established to support the management of repayable contributions and ensure stewardship. The innovative finance teams faced challenges with recruitment and retention of staff with specialized financial and accounting expertise, but their current capacity levels have stabilized. These groups, with support from other relevant programming divisions, form a Deals team to lead URC negotiations.

The administration of URCs requires in-depth financial expertise and understanding of investment processes, which is currently limited within GAC. Interviewed project team leads responsible for URCs commented on the steep learning curve. They viewed support from management and knowledgeable colleagues as essential, while available tools and training were perceived as insufficient or not well disseminated. GAC does not currently provide training on repayable contributions or innovative finance. Over the past few years, environmental and gender specialist teams have developed technical guidance and documented lessons learned from working with CF URCs.

## Delivery (Efficiency)

### Departmental processes: URC financial analysis and structuring

**URC accrual profile** refers to the expected repayment schedule and the associated financial impacts of a URC, including interest and principal payments as well as other factors, over its lifetime (based on a net present value). The profile is part of assessing URC financial risks.

The accrual profile is used to estimate the non-repayable portion (or accrual rate) of URCs, taking into account management and administration fees, expected losses, lending costs and other concessional terms (e.g. grace period):

- A higher accrual rate means that a greater portion of the URC would not be repaid to the government.
- A lower rate would result in greater proportion of the URC being repaid.
- For instance, an accrual rate of 25% for an URC would mean that 75% would be expected to be repaid to the government.

**Reflow-based contributions:** A contribution provided to a recipient institution for investment purposes, for which the details on reflows are unknown at the time of investment as they depend on the performance of the underlying investments (source: OECD Development Assistance Committee).

### F9: Roles and responsibilities of the 2 teams involved in URC financial risk management were not clearly delineated, which led to different approaches to calculating financial risk and different risk tolerance.

Managing and estimating financial risk profiles of repayable financial transactions, such as URCs, is complex, particularly for reflow-based URCs in which funds are further disbursed into investments across countries and sectors with repayments flowing from across investment activities. Estimating financial risk accounts for a range of factors, such as project type, duration, market interest rate, default rate and others, which may fluctuate over time due to market conditions, and geopolitical shocks require professional judgement in the creation of assumptions and application of accounting standards.

The Office of Innovative Finance and FAST are involved in the initial phases of URC financial risk management. As both teams grew and evolved over time, their roles and responsibilities have not been clearly delineated, which led to some overlap in their work and divergence over risk tolerance. The FAST financial modelling approach is used to initially assess the proposals in terms of financial parameters, while the Office of Innovative Finance financial modelling is used to determine the accrual rate during negotiations and to finalize the URC agreement. As most of GAC's URCs are reflow-based, agreement parameters such as eligible instruments, selected countries, exposure limits and sub-investments influence URC's accrual profile (see text box).

The evaluation found differences in the approach and assumptions used by the 2 teams. One of the key areas of difference was the estimation of expected losses, which had an impact on calculated accrual profiles for CF URCs. This difference in general ranged between 5% and 15% for URCs, with FAST relying more on the partner's estimation of expected losses and the Office of Innovative Finance estimating higher losses that reflect countries' credit profiles. Interviews with project team leads and URC partners confirmed that GAC estimated expected losses at higher rates compared to implementing partners' estimations. Interviewed staff indicated that the more conservative application of risk parameters left out some promising projects and partners. The Office of Innovative Finance has engaged an external reviewer to assess the current approach. The review identified some opportunities to refine the approach to reflect less-conservative assumptions (e.g. different agency risk ratings).

## Delivery (Efficiency)

### Departmental processes: URC financial analysis and structuring (cont.)

#### **F10: URCs did not leverage accrual space available to support their implementation and took less risk than expected.**

The GoC's financial framework established a certain threshold of financial risk, i.e. a maximum non-repayable portion (accrual ceiling) for URCs. This accrual ceiling is negotiated by the Department of Finance Canada. Although the accrual ceiling was increased for the \$5.3 billion commitment compared to the previous commitments, allowing the department to negotiate a greater non-repayable portion, the average URC accrual profile has remained constantly lower than the accrual ceiling across the commitments to date. Based on current estimates, the GoC may receive an additional \$649 million in repayment from ongoing URCs, as counted at the time of the evaluation. The final calculations of the repayment will only be available at the end of each URC life cycle as the accrual profile may fluctuate over the URC implementation period.

Various factors contribute to the fluctuation of the accrual profile. Based on calculations for the cost-effectiveness analysis, the average accrual profile of a sample of URCs from the \$1.2 billion and \$2.65 billion commitments is estimated to be 5% to 7% lower than the initial estimate by the department at the time the agreement was signed. Interviewees and a document review pointed to several reasons for the difference, including the application of a maximum accrual rate according to the initial investment pipeline rather than the actual investment made, a partner selection of less-risky investments and a higher estimation of expected losses. An annual internal review of the accrual profile also highlighted fluctuations of interest rates impacting the accrual profile. Although it is too early to observe a change of the accrual profile of the URCs signed under the \$5.3 billion commitment, the same assumptions were used to estimate their accrual rate at the time the agreement was signed.

A review of URC sub-projects from bilateral CF funds and interviews confirmed a lower risk profile taken by the implementing partners in pursuing URC investments. The majority of investments, made by partners in upper middle-income countries, were senior loans that have repayment priority to the lender and used United States dollars and euros as their currency.

Although GAC has not shared its accrual ceiling target with the partners, it encouraged them to take on "riskier" projects. No clear requirements were set in URC agreements. Interviewed URC partners pointed to a lack of communication about the objectives and risk profile of GAC's CF URCs during negotiations, which impacted the types of projects partners included in a project pipeline, with a focus on higher financial viability. Partners called for greater flexibility and a higher risk profile to better support development goals. GAC's CF team has begun a series of engagements with MDBs to discuss a way forward.

## Delivery (Efficiency)

### Departmental processes: URC financial analysis and structuring (cont.)

**Additionality** means that an intervention has led to effects (e.g. financial, developmental) that would not have occurred without the intervention.

**Financial additionality** refers to situations where finance is mobilized and an investment is made that would not have materialized otherwise.

**Development additionality** is described as the development impacts (positive or negative, intended or unintended) that arise as a result of the investment that would not have occurred otherwise.

**Why is additionality important in the context of URCs?**  
Demonstrating additionality is considered a fundamental requirement for a donor intervention in private sector development in order to prevent market distortions and to ensure value for money.

Source: OECD (2021). Evaluating financial and development additionality in blended finance operations.

### **F11: The commitment funding profile did not allow for URC risk management on a portfolio basis, with risk managed on a project basis.**

The Department of Finance Canada provided GAC with an opportunity to manage the accrual rate on an annual basis (rather than on a project basis) for the \$5.3 billion commitment in accordance with the government fiscal framework. In practice, GAC continued to manage CF URCs on a project basis, ensuring that each agreement remains under the accrual ceiling.

Due to a low number of URCs approved annually and lengthy negotiation processes, there was limited flexibility to manage the accrual profile on an annual basis. One recent example of a large URC (\$1 billion for the CIF's Accelerating Coal Transition Program) included 4 disbursements between 2021 to 2022 and 2025 to 2026. It was possible for the department to use the space under the accrual ceiling generated by this project in 2022 to 2023 and 2023 to 2024 to go above the accrual ceiling for other URCs signed in that time period. However, outside of this opportunity, there were limited options for balancing accrual space annually.

Evaluation evidence suggests that current URC implementation practices do not work for pursuing investments in riskier markets and sectors. Expanding GAC's footprint in those areas would require maximizing risk profile over the commitment period on a portfolio basis to enable a combination of high- and low-risk projects.

### **F12: The primary focus in negotiating URC agreements was on financial parameters. Insufficient attention was paid to the assessment of URC's financial and development additionality.**

The promise of concessional finance lies in its potential to provide financial additionality or leverage (i.e. attract additional private capital that would not have materialized otherwise), development additionality or impact (i.e. drive development progress that would not have occurred otherwise) and generate returns (repayments).

Interviews conducted with GAC staff and URC partners showed that the primary focus on URC negotiations was on financial transaction parameters, with insufficient attention paid to assessing and negotiating the provisions for financial and development impact. This resulted in "soft" requirements within URC agreements. A review of agreements showed that out of 8 URC agreements from the \$1.2 billion and \$2.65 billion commitments sampled for the cost-effectiveness analysis, only 2 had specific private sector mobilization targets and none were for development impacts or co-benefits. A review of signed \$5.3 billion agreements revealed improved patterns, although setting the targets remained challenging.

Case studies revealed examples where URC investments demonstrated good development and financial additionality (e.g. first wind farm in a SIDS context) but also examples where investments were neither targeting a new/risky market or product/service, nor demonstrating that alternative commercial funding options were unavailable. Evaluations of Dutch CF focused significantly on the issues of additionality and noted similar observations regarding a category of investments without convincing additionality claims, investments ready for graduation from ODA support (e.g. solar energy in middle-income countries) and a need to strengthen criteria for assessing project additionality.

## Delivery (Efficiency)

### Departmental processes: URC financial analysis and structuring (cont.)

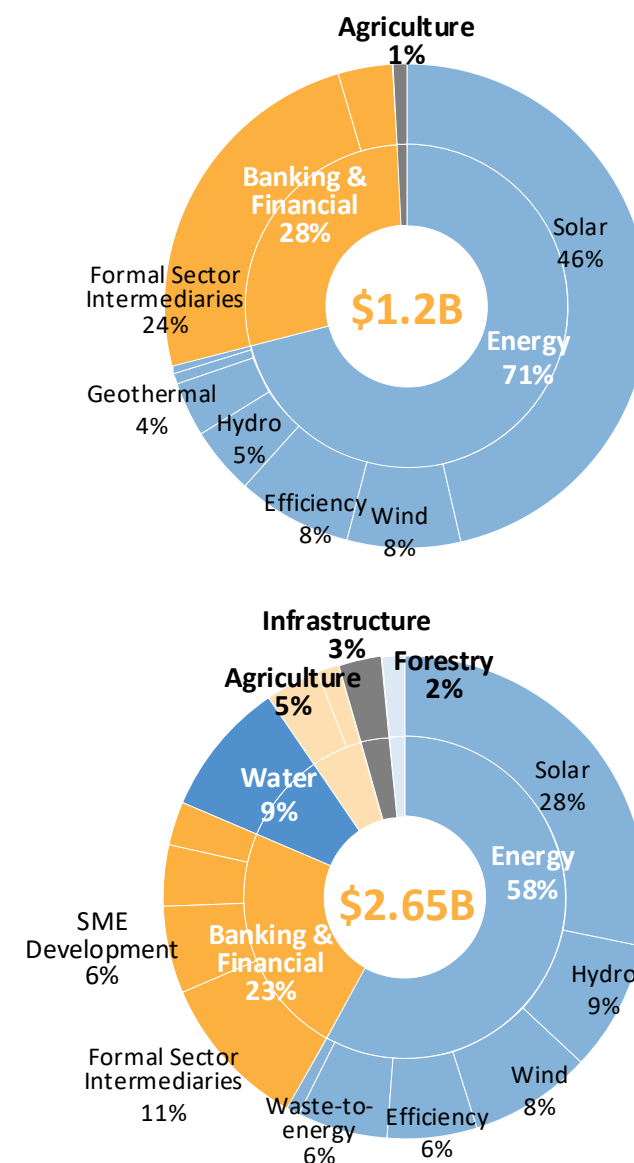
**F13: Delegating decision making to URC partners for investment decisions increased operational efficiency but limited oversight and opportunities to align investments with the GoC's priorities.**

GAC has delegated investment decisions to URC partners to capitalize on their specialized expertise and partnerships. This enhanced operational efficiency, particularly in light of a small number of GAC resources dedicated to the management and oversight of complex, large URC transactions. The approach also reduced legal risk.

GAC has some opportunities to influence URC partners' priorities and directions through participation on executive boards. For example, a representative from the CF team is involved in the governance of multi-donor climate funds and a GAC representative has a seat on the boards of MDBs. The evaluation found that while this level of involvement was effective in offering guidance and advocating for Canadian priorities, particularly in gender equality, influence over the parameters of investment selection remained limited. Investments from the \$1.2 billion URCs leaned heavily on renewable energy sub-sectors with high prospects of generating significant GHG emissions reductions. Large investments were also made in the banking and financial sector that provided downstream lending opportunities with low-scale emissions reduction potential. Investments from the \$2.65 billion URCs got more diversified across and within sectors. Some had a stronger economic development focus.

Interviews and a scan of other donors highlighted practices that more strongly defined parameters of concessional finance at the outset of negotiations and in agreements to ensure alignment with climate and development objectives sought. For example, the GAIA initiative, co-led by FinDev Canada has a 70% adaptation target, with 25% allocations for LDCs and SIDS covering 19 countries of high climate vulnerability. The Dutch Fund for Climate and Development has a target of 50% (65% is desirable) toward adaptation, with 25% allocated to LDCs and 25% to countries of government focus and 4 priority sectors related to land and water use.

Figure 20: Investments from Canadian bilateral facilities at MDBs, by sub-sector



Source: GAC URC sub-project database, April 2024.

# Delivery (Efficiency)

## Departmental systems

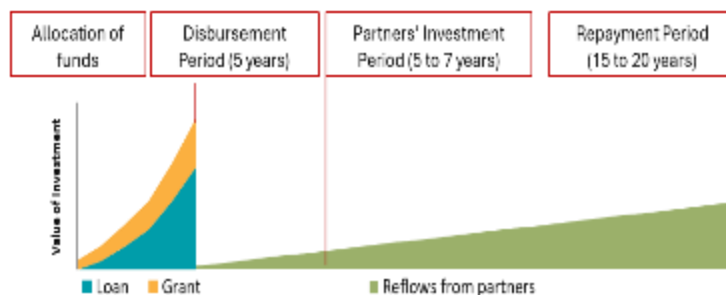
### F14: GAC's systems do not adequately capture and track the complex nature of CF URCs.

Repayable contributions are large, complex financial transactions that have unique elements in their design and management compared to traditional grant funding. These pertain to financial risk assessment, attraction of additional private and public funding/blending, an investment pipeline with specific sub-projects, and repayments.

To support the management of URCs, various GAC teams have developed, and continue to refine, tools to track and monitor elements of funded programming over the URC life cycle. These tools include a CF disbursement database, a database that captures URC sub-project investments, tools that track mobilized private sector financing, calculations of URC financial assessments, tracking of repayments and a CF results database. They are captured in Excel and Power BI and rely heavily on manual processes and data collection, which are prone to data entry errors and update lags, which were observed by the evaluation team on multiple occasions. GAC interviewees underscored that although solutions to support CF decision-making had been developed over time, the department continues to lack a loan management system that would streamline concessional finance management. As of 2023 to 2024, CF URCs represent approximately one-half of the value of GAC's total assets. The management of such material assets and complex repayments requires appropriate systems.

**Figure 21:**  
URC Lifecycle

Funds allocated through URCs generally have up to a five-year disbursement period, followed by a 5 to 7-year investment period, and a 15 to 20-year repayment period.



## Departmental processes: URC policy marker coding

### F15: The application of climate change and gender policy markers for CF URCs was challenging and did not always reflect actual investments.

The majority of CF URCs are disbursed through large global and partner-specific funds. Partners generally have between 5 and 7 years to identify and pursue investments that best fit URC conditions and partner investment plans. As a result, URCs are coded according to their stated objectives and purposes or based on the initial strategy and a provisional project pipeline as projects are not typically confirmed until the investment period ends. The URC cost-effectiveness analysis identified discrepancies between URC project coding and actual investments made (e.g. 2 out of 8 sampled URCs had a cross cutting focus, but actual investments only pursued climate change mitigation or adaptation objectives, not both). Gs&Cs undergo reassessment when project scope changes. No such requirement exists for URCs.

Interviewed sector specialists noted challenges in assessing URCs and confirmed a lack of reassessment as a gap. Earlier coding limitations stemmed from a lack of a standardized approach in assessing URCs between specialists. The team has since developed guidance to support consistent assessment for the \$5.3 billion commitment. However, challenges persist as there have been discrepancies in definitions used by MDBs (addressed gradually through updates in the joint MDB methodology for tracking climate finance) and use of "soft" targeted outcomes in URC agreements that provide wide latitude for URC partners to determine their investments (without an enforcement mechanism). URC agreements signed under previous commitments lacked clearly defined, targeted outcomes or their outcomes were perceived by partners as discretionary and had no targets. The new URC agreements have a more robust approach with regard to expectations for performance.

# Delivery (Efficiency)

## Commitment methodology and coding

### **F16: The methodology for identifying CF programming captured the majority of relevant projects but had several discrepancies.**

The methodology for defining what counts as the GoC's public CF programming has evolved across the commitments, but generally reflected projects coded as having climate change adaptation or mitigation as their "principal" objective (CC2). The \$1.2 billion commitment was managed on a project-list basis, with all included projects coded as CC2. The \$2.65 billion commitment primarily included CC2 projects but allowed for a portion of a few projects with climate change as a "significant" objective (CC1) in year 1. The \$5.3 billion commitment included CC2 projects only. GAC's environment specialists apply climate change policy markers and *de facto* determine which projects are part of the GoC's CF.

GAC's CF programming was not exclusively linked to the CF funding envelope: it also scoped-in projects from other funding envelopes (e.g. 2 URCs from the International Assistance Innovation Program) and departmental reference levels. While those projects were coded as CC2, interviews confirmed that some had been conceptualized to pursue other primary objectives (e.g. sustainable economic growth) but with high relevance to climate action, creating difficulties in aligning reporting requirements for CF. This limitation also applied to multilateral projects. As was evidenced in the country case studies, partners similarly funded programming that pursued economic development objectives as their primary objectives with climate as secondary co-benefits, at times on a small scale.

Finally, interviews revealed concern over the application of CC0 or CC1 coding for NbS and agriculture projects, which are excluded from the public CF commitments, but which are likely to have significant relevant adaptation outcomes. They questioned the application of the strict UNFCCC definitions. An internal study of the relationship of agriculture programming coding and targeted outcomes confirm the complexity of the assessment.

# Delivery (Efficiency)

## Program governance

**F17: There have been improvements in the governance of the International Climate Finance Program overall, with the interdepartmental director general-level governance committee perceived as having value added.**

Following the recommendations of the 2019 GAC review and a 2020 horizontal evaluation (led by ECCC) to address gaps in CF decision making and coordination, GAC and ECCC introduced new interdepartmental governance mechanisms to support the implementation of the \$5.3 billion commitment.

According to interviewed GoC staff, the shared role between GAC and ECCC with regards to program governance was effective in leveraging strengths of both departments. The Interdepartmental Director General committee was generally perceived as efficient and effective at enforcing coordination across GoC entities and leveraging technical expertise across committee members. There were mixed perspectives, however, on how well these mechanisms impacted programming choices and whether delegation to directors more directly involved in programming was warranted. The value of the committee at the deputy minister level was perceived as more limited due to their less-direct involvement in CF administration or related issues. To enhance efficiency, interviewed staff identified a need to lighten interdepartmental governance mechanisms to focus on those who are directly involved in programming and policy coordination.

**F18: Within GAC, governance mechanisms supporting CF have evolved but offered little oversight or challenge function.**

Within GAC, a Director General Committee on Climate Finance was set up to ensure strategic and coordinated delivery of programming. It actively supported the implementation of the \$5.3 billion commitment in its first 3 years but has not continued its functions as the CF funding got allocated. Instead, a new Director General International Assistance Advisory Committee formed in 2024 is now leveraged in an advisory role, as appropriate.

In terms of URC funding approvals, oversight is provided by the Investment Committee chaired by the Chief Financial Officer with support from the director-level Triage Committee, which focuses specifically on repayable contributions.

Overall, committees provided input into investment planning but offered little oversight or challenge function. The Director General Committee on CF offered an important coordination function among branches implementing CF programming and in tracking commitment targets but had limited input on URCs and in the oversight of performance. Limitations of oversight were also applicable to the Investment Committee. Members of the Investment and Triage committees were viewed as not having sufficient expertise to provide a strategic assessment and challenge function to CF URCs, which require strong climate/environmental, development impact and financial expertise. Further, their ability to oversee the financial management, development impact and value for money were constrained by little information shared on CF performance and results. As a result, the repayable portfolio was not reviewed by the Investment Committee from the perspective of development impact and policy alignment. There have been some ongoing efforts to bring in additional expertise and finalize the terms of reference for the Triage Committee.

Additionally, the Office of Innovative Finance, on the one hand, supports the role of the Chief Financial Officer to provide independent assessment of reliability of financial information; however on the other hand, is also involved in the financial risk assessment of URC proposals and in URC negotiations. This contributes to a perceived conflict of interest.

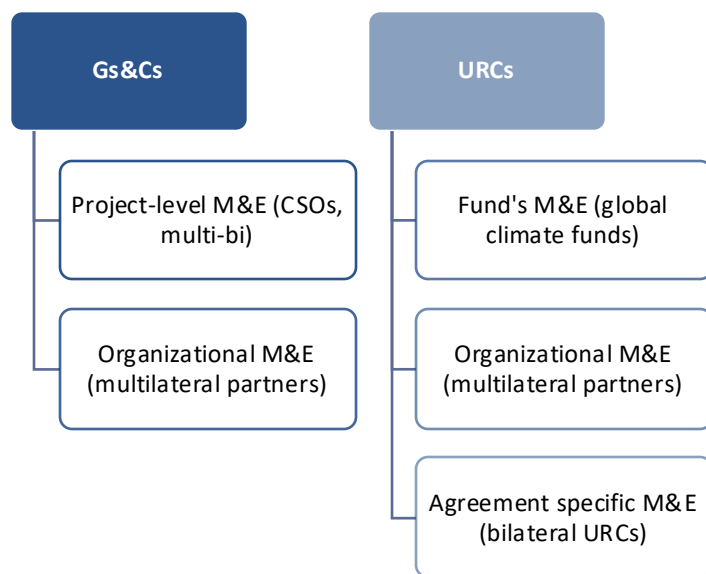
# Delivery (Efficiency)

## Performance measurement

### Core CF key performance indicators (KPIs)

- GHG reductions resulting from international initiatives funded by Canada
- Number of people in developing countries who benefited from Canada's adaptation finance
- Amount of private finance mobilized through Canada's public sector investments

**Figure 22: Types of performance measurement frameworks that feed into CF performance**



**F19: Despite improvements in performance measurement for the \$5.3 billion commitment, the quantity and quality of available data on CF performance inhibit GAC's ability to articulate the effectiveness, impact and value for money for its CF contributions.**

The complexity of CF programming poses significant challenges for the performance measurement function, particularly in the context of a large proportion of funding delivered through multilateral channels and pooled with other donor funding. The department has little experience measuring, monitoring and reporting on the performance of policy and commitment objectives, such as CF. It also has limited disaggregated data that capture the diversity of programming beneficiaries.

Little attention was paid to setting performance measurements for the \$1.2 billion and \$2.65 billion commitments. A more structured approach to performance measurement was adopted for the \$5.3 billion commitment. It included a commitment results framework with a logic model and a performance measurement framework. A broader monitoring, evaluation, reporting and learning framework was also drafted. However, GAC continued to have notable gaps in systems to define, monitor, manage quality control and report on the performance at the CF commitment level. The commitment logic model and associated indicators did not adequately capture CF policy objectives and focused primarily on outcomes associated with development project activities. The 3 main commitment KPIs captured limited aspects of GAC's CF programming. Indicators at the immediate and intermediate levels were plentiful (50), with 30 identified for reporting to the Treasury Board. Some indicators were project-driven and others captured elements of the strategic intent or ambition of the GoC's commitment. Many targets and baselines were based on limited performance data from the \$2.65 billion commitment and their significance was difficult to interpret.

The CF team developed an annual CF results survey to collect information across CF projects on a full suite of CF performance indicators. Following a pilot in 2023, the 2024 survey was completed but included notable limitations that affected the robustness and reliability of collected information (e.g. low response rate on individual indicators, results requiring extensive validation and quality control, limited suitability of reporting from multilateral projects, etc.). Given the diversity of CF instruments, mechanisms and partnerships, performance data came from various monitoring and evaluation systems. A data quality check revealed that amalgamating data from various partner systems did not yield comparable results and that a more nuanced representation of data was required.

Monitoring and reporting on URC performance posed additional challenges. As an innovative instrument, URCS aim to attract additional financial resources and achieve additional development impacts. These impacts are often a system-level change that includes creating new markets, demonstrating viability of new technologies, or scaling up solutions. Such change is slow and requires long-term monitoring. The cost-effectiveness analysis revealed that the tracking and reporting of URC results were neither consistent nor systematic. Targets were either generally not defined or were based on the initial project pipeline. Insufficient attention was paid to the development and inclusion of results framework in URC agreements until 2024, when notable progress was made for the most recently signed URCS with expanded sets of indicators. For multilateral URCS, setting up targets for the GoC's contribution and attributing results were not feasible.

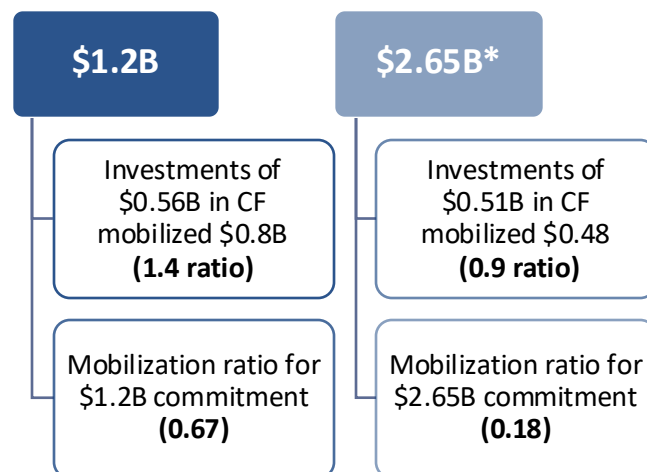
## Findings: Effectiveness

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# Effectiveness

## Private finance mobilization

**Figure 23: Mobilized private sector results**



Note: \* reported results as of March 2025.

Source: CFO-Stat private sector mobilization data, as of March 2025.

### F20: GAC's CF programming has mobilized private capital and other public co-financing. GAC's partners' investments in climate change mitigation and in middle-income countries attracted capital to a larger extent than in adaptation and less-developed markets.

All 3 commitments have identified the mobilization of private finance as an objective. Although the GoC did not define a target for private finance mobilization for the \$1.2 billion commitment, it set the target at \$0.5 of private sector investment for \$1 of public CF for the \$2.65 billion commitment and increased it to \$0.75 of private sector investment for \$1 of public CF for the \$5.3 billion commitment.

Since 2017, GAC has integrated private finance mobilization reporting into its data collection processes. However, there are significant delays in data availability, as mobilizing figures often emerge only years after the initial disbursement. Additionally, results are reported at the activity level for each investment, rather than at the broader commitment level (see figure 23). Based on the assumptions underpinning the target—namely, that \$1 in public CF should mobilize \$0.50 in private finance—GAC has effectively met this goal for the \$1.2 billion commitment, which primarily supported energy and financial sector investments in middle-income countries. In contrast, the \$2.65 billion target remains far from being achieved, in part due to substantial reporting time lags.

The cost-effectiveness analysis study provided additional evidence that all sampled URCs under the first 2 CF commitments attracted private capital and public co-financing. Projects in mitigation and in the Asia-Pacific region tended to attract more total capital; however, only a few sampled URCs distinguished between public and private finance mobilized (see figure 24). URCs have been the primary vehicle for attracting large-scale private sector funding. Nevertheless, most URC agreements did not quantify private sector mobilization targets, including under the third commitment.

**Figure 24: Co-Financing Ratios**

	Public + private ratio (target)	Private capital ratio (target)
International Fund for Agricultural Development (IFAD)	2.0 (1.4)	n/a (n/a)
Green Climate Fund (GCF)	3.5 (n/a)	3.3 (n/a)
Canadian Climate Fund for the Americas - IDB	7.5 (n/a)	3.7 (n/a)
Blended Climate Finance Program - ICF	8.4 (n/a)	n/a (n/a)
Clean Technology Fund - CIF	10.0 (6.86)	n/a (n/a)
Canadian Climate Fund for the Private Sector in Asia II - ADB	18.3 (4.0)	6.5 (2.0)

Source: Internal Cost-Effectiveness Analysis study

# Effectiveness

## Private finance mobilization (continued)

Consistent with global trends and the cost-effectiveness study, most of GAC's mobilized private finance is in the mitigation space and is concentrated in middle-income countries, with limited presence in LDCs and SIDS. The higher ratio for the first commitment also reflects the greater focus of investments in upper-middle-income countries and greater investments in renewable energy sectors. Of the top 6 countries in terms of private sector financing mobilized by Canada's CF investments, 5 were all upper-middle-income countries (see figure 25).

GAC-funded investments predominantly utilized senior debt rather than higher-risk investment options, such as junior debt or equity, which have the potential to generate higher mobilization. For instance, under the \$2.65 billion commitment, 68.1% of the CF investment in sub-projects was through senior debt.

Overall, GAC's mobilization results align with global trends. GAC's reported ratio falls within the range of mobilization results achieved by other donors, many of which leverage DFIs to attract private finance. Some donors have achieved greater private mobilization results (e.g. half of Dutch CF reported for the UNFCCC comes from private sources, compared to 8% of Canada's CF) with significant investments in purposeful blended funds managed by DFIs and climate-focused investment managers.

**Figure 25: Mobilized private sector results**

	GAC's CF amount invested	Private finance attributed to GAC
<b>Brazil</b>	\$41.4M	\$187.1M
<b>Mexico</b>	\$135.5M	\$142.6M
<b>Indonesia</b>	\$50.0M	\$132.8M
<b>Argentina</b>	\$25.0M	\$44.9M
<b>Uruguay</b>	\$47.5M	\$43.7M
<b>Chile</b>	\$63.1M	\$40.1M

Source: CFO-Stat private sector mobilization data, as of March 2025.

# Effectiveness

## Mitigation results

### GHG reductions results, by commitment

The **\$2.65 billion commitment** set a target of reducing 200 million metric tons (MT) of GHG emissions by 2030. Estimated expected reductions reported in 2020 to 2021 met the target. The expected estimates rose to 228.6 MT in 2021 to 2022 but have since declined to 205.3 MT in 2023 to 2024 due to the inclusion of more accurate estimates from implemented investments. No actual reductions in estimates were collected.

The **\$5.3 billion commitment** targets a reduction of 300 MT by 2050. According to the 2024 CF Results Survey of projects funded under this commitment, funded programming is expected to lead to an estimated cumulative GHG emissions reductions of 286.4 MT and actual cumulative emissions reductions were estimated at 140 MT as of 2021.

**Figure 26: GHG reductions targets and costs, in US \$.**

	Annual Target (in MT)	Amount invested (in \$M)	Annual target/\$M (x1,000)
GCF	29.1	9,310.0	3.1
IFAD	11.7	3,460.0	3.4
CFPS II - ADB	0.7	149.5	4.6
BCFP - IFC	0.6	98.9	6.1
CTP- CIF	85.0	5,200.0	16.3

Source: Internal Cost-Effectiveness Analysis study.

### F21: GAC's CF has made significant progress in achieving climate change mitigation results, with notable successes in renewable energy generation.

As of March 2024, GAC disbursed close to \$5 billion in projects with climate change mitigation as a primary objective, of which 77% was through URCS. With the mobilization of additional private and public funds, GAC's URCS have been well-positioned to pursue large-scale mitigation investments, with a strong focus on renewable energy across the commitments. Under the \$1.2 billion commitment, GAC's contributions through bilateral URCS and the CIF Clean Technology Fund (CTF) supported renewable market development, particularly for photovoltaic solar and wind energy, which have since demonstrated financial viability in many developing countries and have lower costs in comparison to conventional fuels. The \$2.65 billion commitment continued major investments in renewable energy but their overall proportion decreased as investments got more diversified across sectors. Information on investments from the \$5.3 billion URCS is not yet available, but it included \$1 billion URC to the CIF Accelerating Coal Transition Program to develop clean energy sources in coal-dependent energy markets (e.g. India, Indonesia, South Africa).

The GoC and GAC have established GHG emissions reductions targets and have been tracking progress toward their achievement for the \$2.65 billion and \$5.3 billion commitments (see text box). No target was set for the \$1.2 billion commitment. Overall, reporting has been hampered by differing methodologies used by partners to calculate emission reductions equivalents and a lack of distinction between expected and actual reduction estimates.

The cost-effectiveness analysis study provided additional evidence on the achievement of mitigation results across URCS. It showed strong mitigation results across sampled URCS, particularly those realized through renewable energy investments in middle-income countries. Large multilateral URC mechanisms (GCF, IFAD and CTF) set higher overall GHG reduction targets compared to bilateral URCS (see figure 26). Dollar investments per MT, however, showed similar patterns across URCS, except for the CTF which brought large-volume and large-scale deployment of clean energy technologies. Overall, the study concluded that the sampled URCS were on track to meet emissions reduction targets and increase renewable energy capacity, access and security.

Bilateral and multilateral Gs&Cs programming also achieved mitigation results but those were not routinely tracked or aggregated into reporting. Examples include the Forest Carbon Partnership Facility and other NbS programming, and agriculture projects that sequestered carbon (e.g. agroforestry) or reduced emissions (e.g. livestock emissions).

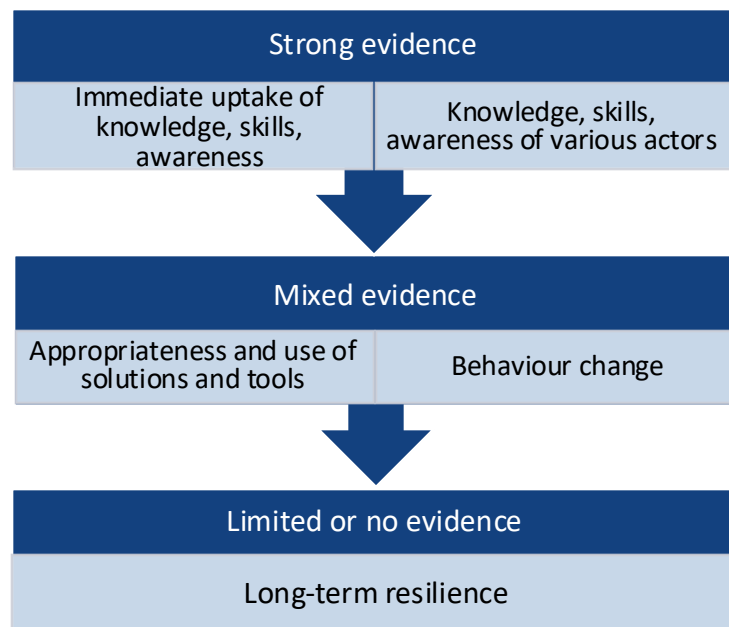
# Effectiveness

## Adaptation results

### 2024 climate finance survey results

There were 4,603,959 people who benefited from Canada's adaptation finance, based on 43 projects that reported results (out of 97 projects that provided at least 1 response to the survey).

**Figure 27: Summary of available evidence across country case studies, related to adaptation**



**F22: GAC's programming achieved strong immediate and good intermediate adaptation results, particularly in climate-smart agriculture, restoration of natural systems and disaster risk preparedness. Available evidence on the achievement of long-term results was inconclusive, with limited long-term progress seen at the country and community levels.**

Consistent with the increasing recognition that developing countries bear the brunt of climate impacts, the GoC and GAC have directed a greater proportion of CF programming toward adaptation purposes across the CF commitments.

As documented in research literature, identifying and measuring results in adaptation is constrained by a lack of clarity regarding the scope of adaptation, long-term nature of results associated with building resilience, issues with comparability of results across sectors and contexts, difficulties identifying relevant baselines and insufficient time for context-relevant planning. Reflecting these universal challenges, CF projects commonly faced difficulties in reporting on "improved climate resilience" but included data on the number of people reached and some sector-specific project results (see figure 27). Interpreting their significance was, however, challenging and was context dependent.

Country case studies revealed tangible examples of improved resilience and decreased vulnerability. For example, in Senegal, the evaluation team visited 4 projects aimed at improving the socio-economic livelihoods of farming households, particularly for women and youth. These projects demonstrated that the adoption of innovative and affordable technologies, as well as climate-adapted agricultural practices, was essential to building resilience to climate impacts. Projects visited in Senegal and in Indonesia also identified examples of progress made at restoring local ecosystems that sustain livelihoods. Jamaica has seen successful results in disaster risk reduction and preparedness, with successful use of insurance techniques, social-protection programming, capacity building of government institutions and community-level preparedness.

For URCs, adaptation projects were perceived as challenging and less commercially viable. The cost-effectiveness analysis showed that only partners (e.g. IFAD) with a mandate and expertise in adaptation-related sectors met their targeted adaptation outcomes. Other URC partners, particularly the MDBs, struggled with implementing adaptation activities and tracking results. The lack of expertise and technical capacity to build a compelling business case, along with uncertainty about the level of risk the GoC was willing to accept, were identified as disincentives to investing in adaptation.

# Effectiveness

## Development co-benefits

### 2024 climate finance survey results

- 8,277 beneficiaries with new employment in the renewable sector (from 4 projects)
- 3,110,335 beneficiaries with enhanced access to clean energy (from 7 projects)

### F23: GAC's CF programming yielded various development co-benefits, but they were seldom tracked.

Review of partner reporting and country case studies shows that GAC's CF programming generated development co-benefits, mainly through economic co-benefits, such as job creation and employment (both direct and downstream) that provided important sources of income for community members. Large-scale energy-generation projects contributed to increasing stability of the power supply or increasing coverage, which could positively contribute to multiple other development co-benefits but were difficult to track.

Reviewed programming also contributed to a range of other co-benefits like community engagement and improved living and working conditions, small-scale infrastructure and/or service improvements within targeted communities, additional educational and/or training opportunities and market development. Most of these observed development co-benefits in Jamaica, Senegal and Indonesia were localized, with limited potential for scaling up. Some projects led to the adoption of interventions by neighbouring communities and increased project participation during implementation, which broadened the scale of impact beyond initial targets. Anecdotal evidence from women's groups indicates examples of financial independence gained through increased employment. While these benefits were small in scale, they showcase a wide possible impact of funded initiatives.

Assessing development co-benefits was, however, challenging due to insufficient incentives or requirements for reporting and lack of clear identification of targeted co-benefits by partners. Available reporting was limited. More consistent data were found in relation to the employment outcomes and new employment in the energy sector. As noted by the cost-effectiveness study, most URCs did not track development co-benefits. A review of bilateral URC sub-projects revealed a varying potential of development impacts from investments. It ranged from those able to bring significant additional direct employment, business and sector development (e.g. direct investment in the tourism and hospitality sectors) to those that may lead to temporary construction employment or indirect employment (e.g. expansion of commercial operations), to those with a less clear additionality claim (e.g. increasing the capacity of financial institutions for green lending).

France has emerged as a leader in this area. Its 2025 to 2030 strategy focuses on strengthening co-benefits and synergies across its cross cutting priorities, which include investments in reconciling climate, nature and development. Earlier in 2018, France made a commitment that climate co-benefit financing should represent 50% of its financing.

# Effectiveness

## Nature/biodiversity co-benefits

### 2024 climate finance survey results

- 11,989 hectares under rehabilitation (based on 12 projects)
- 7,601,495 hectares brought under long-term, gender-responsive protection, conservation and sustainable management (based on 12 projects)

**F24: Insufficient data exists on the nature and biodiversity co-benefits of GAC's CF programming. Notable expansion of NbS programming under the \$5.3 billion commitment has the potential to advance biodiversity conservation, restoration and sustainable ecosystem functioning.**

There is a lack of significant data on nature and biodiversity co-benefits in partner reporting, including in URCs. Available reporting focuses on sustainable land use and ecosystem restoration, but their extent, suitability or sustainability are not captured. Some CF project-level indicators in reviewed projects as part of the country case studies were not sufficiently nuanced to include biodiversity considerations, as they predominantly focused on climate outcomes and did not provide incentives to address biodiversity considerations.

A significant shift toward NbS and biodiversity in the \$5.3 billion CF commitment presents an opportunity to explore and better capture data on nature and biodiversity co-benefits. However, at the time of the evaluation, most projects were only in their second year of implementation, working actively with communities to design and implement project activities. Early feedback gathered through field visits and interviews points to increased community engagement and increased knowledge of the importance and opportunities to address preservation and restoration of natural ecosystems. A significant area of success for the \$5.3 billion commitment and its Partnering for Climate initiative was related to integrating and valorizing Indigenous knowledge and NbS in project design and implementation.

In addition to direct project implementation results, GAC's funding has strengthened the evidence base for NbS, contributing to a better understanding of participatory approaches to addressing climate change. In collaboration with CSOs, GAC has organized several learning events aimed at sharing early learnings on how to generate measurable and scalable biodiversity co-benefits from NbS programming.

Outside of CF funding, GAC also provides funding to support the achievement of nature and biodiversity outcome through its \$350 million International Biodiversity Program, which includes funding to the Global Biodiversity Framework Fund, International Union for the Conservation of Nature and others.

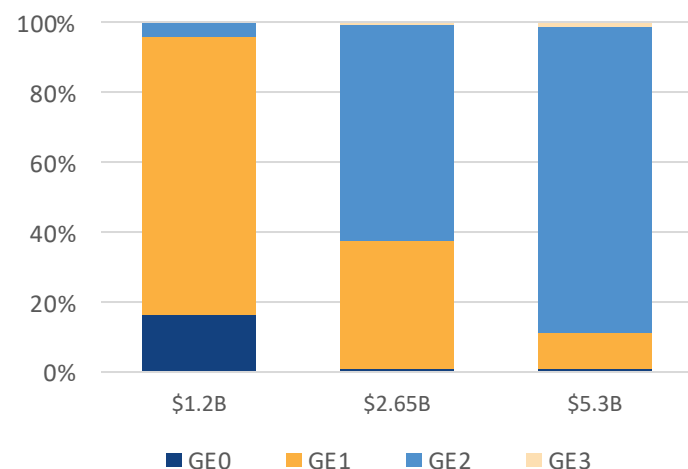
# Effectiveness

## Gender equality results

### 2024 climate finance survey results

- 6 gender and inclusive measures adopted by clients, specifically, climate funds and URCs (based on 3 projects)
- 20 women in leadership and/or decision-making positions as a result of Canada's climate finance (based on 6 projects)

**Figure 28: Distribution of GE coding, by commitment**



Source: CFO Stat database, extracted in May 2025.

Note: The number of gender-specific (GE3) projects increased from 4 (\$2.65B) to 12 (\$5.3B), largely involving CSOs for the Partnering for Climate initiative.

### F25: Progress has been made in engaging women and vulnerable groups in CF programming, developing their skills and knowledge, and strengthening gender-responsive institutional capacity, but challenges remain.

The Intergovernmental Panel on Climate Change Synthesis Reports acknowledge that climate change impacts disproportionately affect women and other marginalized groups and can exacerbate existing inequalities. Addressing these impacts requires a gender-inclusive approach, which aligns with Canada's approach to international assistance.

A document review, interviews and country case studies confirmed that CF-funded activities reflected GAC's commitment to GE and social inclusion. GAC's leadership in GE was exemplified through its Gs&Cs, advocacy efforts and participation on governance boards of multilateral partners. This work has led to examples of notable integration of gender approaches in funded projects and in implementing partners' business operations. GAC's efforts have also led to the establishment of dedicated funding for gender-focused initiatives in large climate funds like the CIFs.

Although evidence of progress in transformational elements, such as increasing women's access to resources, decision making and shifting norms is largely anecdotal and varies significantly by context and systemic barriers, Canada's CF programming has made progress in advancing GE objectives along the pathway of change. Case studies found that funded CF programming increased the participation of women and vulnerable groups in climate activities and expanded their knowledge and skills. This was exemplified by the adoption of climate-smart agriculture practices by female producers. Several reviewed projects strengthened institutional capacity of developing countries' national governments and local implementing partners to advance GE in their policies, plans and programming.

Integrating GE into URCs and mitigation projects has been challenging. The cost-effectiveness analysis revealed that URC partners struggled to operationalize gender equality objectives. The analysis and interviews revealed a concern that focusing on multiple CF objectives might divert attention from the primary climate objectives, increase costs without substantial impact or dissuade some private investors from engaging. On the other hand, there was recognition of the importance of advancing GE opportunities.

GAC's efforts to advance entry points for gender results were generally well-received and often aligned with the context and readiness of developing countries but required sustained commitment. Long-term impacts of these efforts remain unknown.

# Effectiveness

## Example of gender equality results

### Institutional capacity

The United Nations Development Programme's Enabling Gender-Responsive Disaster Recovery, Climate and Environmental Resilience in the Caribbean project has achieved significant milestones in developing GE-focused policies and strategic plans in the Caribbean. For example, these efforts have supported the Government of Jamaica to conduct a comprehensive gender analysis for the Climate Change Policy Framework, update a gender-responsive and climate-proofed National Transport Strategy, and finalize the gender-responsive budget guidelines that detail how government budgets should be allocated to support gender mainstreaming.

### Performance-based incentives

The IDB began implementing the use of gender-focused performance-based incentives through its blended finance in 2015, including the Canadian Climate Fund for the Private Sector in the Americas. The IDB offers interest rate reductions or performance grants for the achievement of gender-focused performance milestones (e.g. hiring requirements for women employees, participation in internships, increases in the number of women-led enterprises receiving loans). Emerging research shows that such incentives have increased the likelihood of success in increasing representation and access to finance for women.

### Community changes

The Partnering for Climate initiative-funded Ecosystem Solutions for Sustainable Adaptation project provided leadership opportunities for adult women and young women in Senegal in leading the development of sustainable management of natural resources. Women's active participation in supporting the value chains and construction of the processing unit strengthened their sense of belonging and ownership. The project fostered community cohesion, encouraging collaboration between women and men in community activities, which helped bridge gender gaps and promote a more inclusive environment.

### Targeted gender equality mechanisms within global funds

Under the Accelerating Coal Transitions Program, CIFs launched a Women-led Coal Transitions Grant Mechanism funded by GAC. The grant seeks to foster women's climate leadership and participation in the design and implementation of coal-to-clean transition strategies and plans. This presents a unique leadership opportunity for the department within a multilateral context and 1 of the larger global mitigation funds. To date, significant work has been completed dedicated to knowledge generation, consultations and advocacy that increased awareness, interest and buy-in from national stakeholder and development partners.

# Effectiveness

## Canadian leadership and expertise

### **F26: GAC's leadership in CF is associated with a strong focus on gender equality in funded programming and its advocacy work and providing significant support to the global mechanisms through concessional CF.**

Positioning Canada as a leader in global climate action has been a consistent objective across the 3 CF commitments, although the emphasis has varied from strengthening its leadership role in climate-related multilateral institutions (\$1.2 billion) to expanding opportunities for civil society and Indigenous People's engagement (\$5.3 billion). The evaluation found that GAC's financial contributions and participation in the governance of multilateral organizations and funds unlocked opportunities to showcase Canadian leadership within the global CF architecture, with a consistent focus on gender equality.

GAC's CF programming has helped strengthen the global CF architecture through various UNFCCC and non-UNFCCC mechanisms. GAC has made significant investments in the funds and organizations that accept URCs (e.g. MDBs, IFAD, CIFs) and provide concessional CF, becoming their top donor. GAC's contribution was smaller for the mechanisms that accepted grant funding only.

GAC has also significantly contributed to increasing knowledge generation through its support for research and policy development at organizations like the CGIAR and the International Institute for Sustainable Development and supported coordination and development of developing countries' national adaptation plans. GAC's active participation on executive boards of multilateral organizations and strategic use of voting rights have amplified Canada's influence, enabling advocacy for, and implementation of, innovative funding modalities and gender equality.

GAC is widely recognized among donors for its niche role in the leadership for GE, social inclusion, GBA Plus programming and advocacy for integrating gender considerations into climate action at both institutional and project levels. GAC has demonstrated this leadership by supporting projects that provide a range of opportunities to women and by helping to design gender-sensitive policies and influencing the adoption of more robust institutional gender policies by implementing partners. Further, GAC's innovative finance teams have successfully integrated GE requirements, attracting investment partners who support them.

More recently, engaging civil society and Indigenous Peoples on NbS offered a potential to grow Canadian leadership in this space.

# Effectiveness

## Canadian leadership and expertise (continued)

### **F27: GAC's limited climate expertise, lack of strategic focus, low visibility through multilateral funding, and minimal Canadian private sector engagement constrained its leadership potential in climate finance.**

Despite Canada's notable contributions to CF, the evaluation identified several challenges and limitations that limited the ability of the department to have a visible and strong presence on CF internationally.

While most interviewees spoke of GAC's expertise related to gender equality integration in CF, the technical capacity associated with climate-related sectors (e.g. energy, water) across the department was assessed as lacking overall. Country case studies and internal and external interviews revealed a lack of deep technical and sector-specific knowledge within GAC which was perceived to negatively impact GAC's leadership in CF. This observation was specific to both HQ management and staff, as well as to staff at missions. Case studies revealed examples where missions withdrew from, or did not actively contribute to multi-donor, climate-related committees due to their lack of capacity to contribute to the technical discussion, with other donors having strong technical representation covering energy, forestry, water and other topics. In some instances, GAC has leveraged subject-matter expertise from other government departments, such as ECCC and Natural Resources Canada, including at the working level and by representation on the boards of select multilateral partners. In other instances, coordination challenges and separate windows of interactions at global events by different departments limited GAC's ability to link CF programming with policy and negotiations work.

Another challenge concerned attribution issues in multi-donor funds and funds with multilateral partners (including bilateral facilities in MDBs). The majority of GAC's CF is made through multilateral channels, which made it difficult to associate investments and outcomes to Canadian funding. In visited case study countries, Canada's role in CF sectors was not highly visible and its contributions were often overshadowed by larger donors or those with a greater bilateral focus and technical expertise at missions.

Finally, GAC's CF did not identify opportunities to engage the Canadian private sector or investors, which possess expertise in sectors relevant to CF, such as forestry, agriculture and renewable energy. Other donors have been able to identify additional opportunities for technology transfer and private sector engagement, although those were primarily led by their bilateral DFIs.

# Effectiveness

## Unintended results

### Unintended project delivery results

#### Multiple intermediaries

Many examined CF projects involved numerous intermediaries between GAC's project implementer and service provider.

On the Gs&Cs side, national and local intermediaries often required capacity-building support, particularly in accessing CF (e.g. from proposal writing to more complex accreditation processes). This led to additional overhead costs and delayed climate change mitigation or adaptation activities.

Numerous intermediaries were also evident in URCs, with project funding distributed down across various funds and initiatives for ultimate investment, adding to overhead costs and extending the time frame for implementation.

**F28: The evaluation identified unintended results from CF programming, highlighting both positive and negative impacts on communities and nature. These findings underscore the need for greater attention to these aspects in project design and implementation.**

The evaluation's country case studies identified various unintended outcomes from GAC's CF programming that require additional consideration during project design, delivery and monitoring.

### Positive unintended project results

Several visited projects led to enhanced **community cohesion and cooperation** through the establishment of social community-based structures. For example, a visited project in Senegal demonstrated increased community cohesion related to the use of community agriculture resources, as evidenced by the collective decisions made around when to complete agriculture work. Another project in Senegal showed that increased income in one community was linked to a decrease in seasonal migration, meaning that fewer women were leaving the community to seek jobs in Dakar or Guinea-Bissau. A project in Jamaica highlighted the establishment of local emergency preparedness teams, joint use of provided agriculture and disaster response resources (e.g. greenhouse, search and rescue supplies), as well as improved cooperation between community, regional and national entities.

### Negative unintended project results

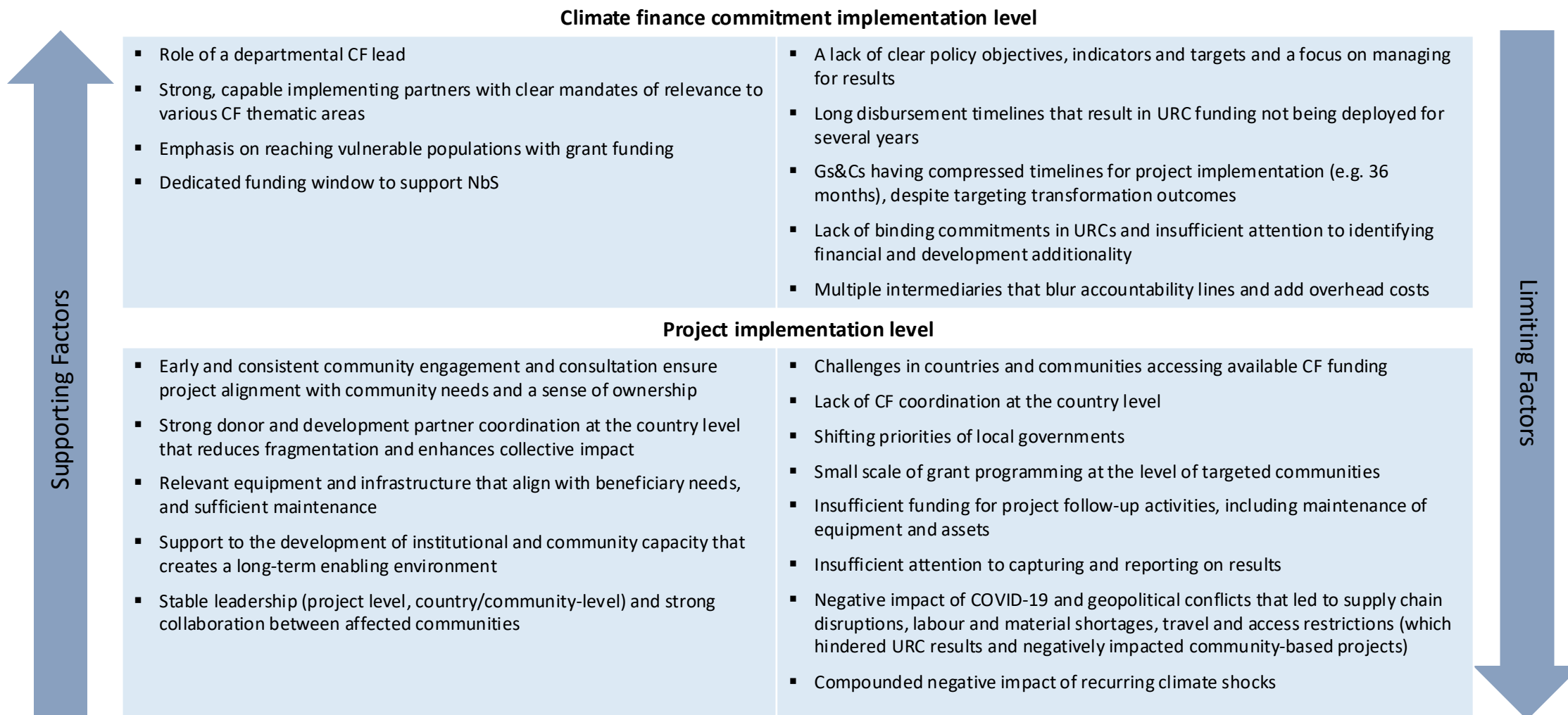
Some large-scale mitigation projects caused **disruptions to local communities and the environment**, including displacements, landscape alterations and increased construction traffic. Although these risks were typically identified and mitigated according to established practices, managing instances of displacement was challenging. In an Indonesia project, the management of displacements was challenged by the differing opinions held by national governments and local communities, where Indigenous groups faced barriers that hindered their engagement and ability to benefit from project plans.

Case studies also highlighted **conflicts between climate and biodiversity objectives**. In one instance, planners selected tree-replanting options for maximum growth and coverage, but did not adequately consider the impacts on biodiversity or the need for long-term sustainability planning. In that context, introducing incentives or performance metrics to account for sustainable ecosystem development was lacking.

# Findings: Factors

## F29: Effective examples of CF programming aligned strongly with the principles of effective development cooperation.

Figure 29: Summary of key factors supporting and inhibiting the delivery and effectiveness of CF programming



## Conclusions, Recommendations and Considerations

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## Conclusions

The evaluation of GAC's CF programming documented important lessons learned by the department over the course of the delivery of the 3 CF commitments. It also identified several issues that will play a key role in defining a future approach to the delivery of the GoC's public CF.

**Incremental evolution and learnings:** Overall, GAC has demonstrated the ability to manage large volumes of CF within 3- and 5-year commitment implementation windows and to meet established budget targets. The department has grown its internal capacity and staffing complement to support concessional CF, acquired new authorities and diversified its programming tool kit. Staff demonstrated awareness of the strengths and limitations of the financial instruments, mechanisms and partnership modalities used to deliver CF and developed targeted guidance and tools to support the management of CF.

**Continued relevance:** GAC's CF is a relevant and important contribution to meet global commitments and evolving climate and sustainable development priorities. The relevance of GAC's CF tool kit to developing-country needs and their context was more nuanced. URCs demonstrated stronger potential to effectively support climate change mitigation and attract public and private capital for large-scale projects, while grants had high relevance in a lower-income context with high climate adaptation and resilience needs. The available funding for new engagements, however, leaned heavily toward URCs and their diversification for adaptation purposes and lower-income contexts, areas for which some URC partners, such as MDBs, are not well established.

**Misalignment of policy profiles, funding parameters and tools:** The evaluation found points of misalignment between Canada's broad CF objectives, the structure of the commitment funding profile and budget targets. A lack of prioritization of policy objectives and definition of success, coupled with a high proportion of URC funding more suitable in higher-income contexts and pressures on grant funding, made it challenging for GAC to meet adaptation targets and to optimize the strength and suitability of funding mechanisms and partnerships. Much of GAC's CF was delivered through multilateral channels, which provided limited visibility or opportunities to influence programming decisions. GAC's approach to engage large multilateral partners to deliver URCs balanced operational efficiency in disbursing high-volume funding with small resources and short timelines. However, delegating decision making to URC partners limited oversight. The evaluation found that URC partners generally pursued lower-risk investments and did not demonstrate consistent attention to maximizing financial and development impacts in relation to climate finance objectives. Until recently, URC agreements did not contain targets.

**Effectiveness:** Under the first 2 CF commitments, GAC's CF achieved strong results in climate change mitigation and mobilized some private sector financing, particularly in middle-income countries. The diversification of URCs toward lower-income countries and adaptation finance may, however, decrease the scale of mitigation and private sector mobilization in the latest commitment. Progress was also made in mainstreaming gender equality opportunities, implementing nature-based solutions, increasing climate resilience of local communities and building capacity of government institutions. Most significant results were achieved in building the knowledge, skills and awareness of various beneficiary groups with good immediate application. Their long-term impact and sustainability were less evident. Overall, insufficient focus on CF results limited GAC's ability to demonstrate value for its climate finance contributions.

# Recommendations

## Commitment level (post-2026)

Recommendations 1 to 4 are forward looking and seek to improve the planning and delivery of future climate finance commitments.

### 1

#### Strategic orientation

When seeking policy authorities for future climate finance commitments, the International Assistance Partnerships and Programming Branch (YFM), in partnership with Environment and Climate Change Canada (ECCC), should clearly:

- **Identify a strategic focus and targeted priorities** to operationalize the broad climate finance policy framework and address various policy objectives. The updated strategic policy guidance should inform the investment approach and reflect evidence of what works.
- **Review the alignment of available climate finance instruments with the new strategic focus and the commitment's funding profile** to maximize the relative strength of each instrument in reaching targeted climate finance priorities.
- **Communicate the strategic focus and targeted priorities to implementing partners** to guide partner programming selection. For URCs, ensure that agreements include programming requirements (e.g. percentage distribution to LDCs/SIDS, thematic or sector areas, gender equality results, as apply) to enhance their alignment with the targeted priorities.

*(Primary support from findings 2, 20; secondary support from 3, 4, 6)*

### 2

#### Portfolio management

In implementing future climate finance commitments, YFM, in consultation with People and Corporate Management Branch and Chief Financial Officer (SCM) and Pan-geographic Affairs Branch (GFM), should:

- **Pursue a portfolio-level programming approach to maximize the strengths of partners and purposefully seek initiatives** in relation to the strategic policy guidance.
- For a future concessional finance portion, **seek the Department of Finance Canada's authority to manage accrual space within the commitment time frame** and strategically leverage the use of available space through a combination of high- and low-risk investments to maximize the impacts according to commitment objectives.

*(Primary support from findings 4, 5, 10, 11; secondary support from 2, 3, 6, 7, 12)*

# Recommendations (continued)

## Commitment level (post-2026)

Recommendations 1 to 4 are forward looking and seek to improve the planning and delivery of future climate finance commitments.

**3**

### Performance measurement

YFM, in partnership with ECCC, should **revise and streamline the performance measurement framework** for the International Climate Finance Program to include **climate finance policy results**, key performance indicators, methodologies, baselines, targets and a standardized data collection approach based on best practices in climate finance performance measurement. In operationalizing the framework, YFM **should strengthen and peer review its monitoring, evaluation, reporting and learning (MERL) system for climate finance** and share results in appropriate forums.

*(Primary support from findings 19, 23, 24; secondary support from 2, 13, 14, 15, 22)*

**4**

### Interdepartmental governance

YFM, in partnership with ECCC, should **review the International Climate Finance Program governance functions** to ensure an appropriate level of oversight and delegation of authority, and leveraging of financial risk management and climate expertise.

*(Primary support from finding 17; secondary support from 3, 4, 5, 6, 12)*

# Recommendations (continued)

## Climate finance URCs

Recommendations 5 and 6 intend to strengthen the current and future delivery of climate finance URCs.

5

### Transparency of URC investments

YFM, in consultation with ECCC, **should improve the communication of climate finance URC investments within GAC and the Government of Canada (GoC)** to enhance Canadian, bilateral and regional engagements and **externally** to increase transparency and visibility of the GoC's international public climate finance.

*(Primary support from finding 27; secondary support from findings 7, 13, 14, 23)*

6

### Environmental and gender equality marker coding

YFM should **review and update the environmental and gender coding** of climate finance URC agreements **during the investment period** to ensure they reflect actual investments.

*(Primary support from finding 15; secondary support from findings 12, 14, 16)*

## Repayable contributions

Recommendations 7 and 8 aim to improve departmental management, governance and oversight of repayable contributions.

7

### Financial risk management

SCM, in partnership with YFM, should improve the financial risk management of repayable contributions in the following areas:

- **Define roles and responsibilities for financial risk management of repayable contributions and ensure appropriate separation of authority.**
- **Review existing methods for calculating the accrual profile of repayable contributions and select a standardized methodology** to ensure a consistent financial risk management approach across the department.
- **Implement a repayable contribution management system** that meets market standards and enables risk management throughout the life cycle of repayable contributions: from initial assessment, disbursement, investment and repayment.

*(Primary support from findings 9, 10, 14; secondary support from findings 5, 11)*

8

### Internal governance and oversight

SCM, in partnership with YFM, and in consultation with GFM, should **review the set-up of the Investment and Triage Committees to increase the level of expertise and challenge function** and ensure a thorough review of financial, environmental and developmental impacts of proposed investments.

*(Primary support from findings 12, 18; secondary support from findings 3, 7, 9, 13, 28)*

## Considerations

The evaluation identified several areas for management consideration relating to the delivery of climate finance. These considerations do not constitute formal recommendations and do not have an associated management response and action plan. Management is encouraged to consider these areas as they plan and implement climate finance programming in the future:

### Technical capacity in areas of relevance to climate finance

The department mainly implements climate finance programming using internal resources. There is limited technical capacity within GAC in some sectors, such as energy, water, forestry and other relevant areas for assessing and reviewing proposals to ensure proposed programming can deliver impactful results and reflects evidence of effective practices. By increasing internal technical capacity and/or leveraging external technical expertise from other federal organizations, the department could address these gaps. Many of the studied donors had a significant technical staff complement in climate-related sectors across their missions and in HQ.

### Departmental capacity to manage and support delivery of repayable contributions

Departmental staff who work with repayable contributions noted a significant learning curve in relation to administration of these financial instruments. However, there is limited internal training and guidance to provide awareness of the use of these innovative financial instruments and prepare staff to effectively and efficiently manage them and ensure alignment with broader policy objectives (e.g. GE). Opportunities to increase departmental knowledge of repayable contributions could include 101 trainings, guidance notes, learning events and communities of practice.

### Collaboration with FinDev Canada

Since its inception in 2018, FinDev Canada has steadily expanded its climate portfolio and partnerships. The evaluation has noted opportunities to increase collaboration between GAC and FinDev Canada, particularly with respect to the management of the URC portfolio and investments. GAC and FinDev Canada should capitalize on their strengths and unique mandates/operational set-ups, with GAC managing investments that focus on de-risking investments in new and underserved markets and lower-income contexts and FinDev Canada leveraging commercially viable opportunities that require limited concessionality.

Most studied donors had long-established DFIs (Dutch FMO Entrepreneurial Development Bank, British International Investment, German KfW Development Bank and French Development Agency's Proparco) that typically took the management of concessional CF, with bilateral development agencies focusing largely on grant funding. The work of the DFIs was part of the country's total CF reporting to UNFCCC and the country's annual or multi-year CF commitments. Some focused on establishing innovative blended structures that included demonstration and origination facilities and their scale-up and relied less on MDBs.

## Considerations (continued)

### Trade-development nexus

While advancing Canadian leadership and expertise has been an explicit policy objective in past climate finance commitments, GAC has limited tools to engage Canadian industries and knowledge to support public climate finance programming. A climate finance team has been established in GAC's International Trade Branch with a mandate to support Canadian businesses in accessing global climate finance mechanisms; however, there is an opportunity to improve their awareness of GAC funds and develop mechanisms that provide companies with the resources to demonstrate and scale up projects and their alignment with Canada's development objectives. Other bilateral donors already employ such mechanisms.

### Programming processes

As a department, GAC manages its appropriation on a fiscal year basis. The multi-step process and requirements support climate finance investment oversight, and in the case of URCs include the step of a Treasury Board submission, but are lengthy. The department should identify opportunities to streamline the process to avoid pressures at year-end negotiations and allow more time for responsive implementation.

### Multi-component evaluations of thematic commitments

Thematic commitments pursue complex objectives and are commonly composed of various funding instruments, partnerships and responsibility centres. This complexity requires significant evaluation resources and time investments. A phased program of evaluation work that provides timely and bespoke assessments of various components within a commitment will help address the immediate information and decision-making needs of relevance to senior and program management and ensure an appropriate depth of assessment. The present evaluation was the first evaluation of GAC's climate finance to date and the first portfolio-level assessment of CF results.

Most studied donors have extensively leveraged opportunities to conduct project and portfolio-based assessments, evaluations and technical studies that provide timely feedback to decision makers.

## Annexes

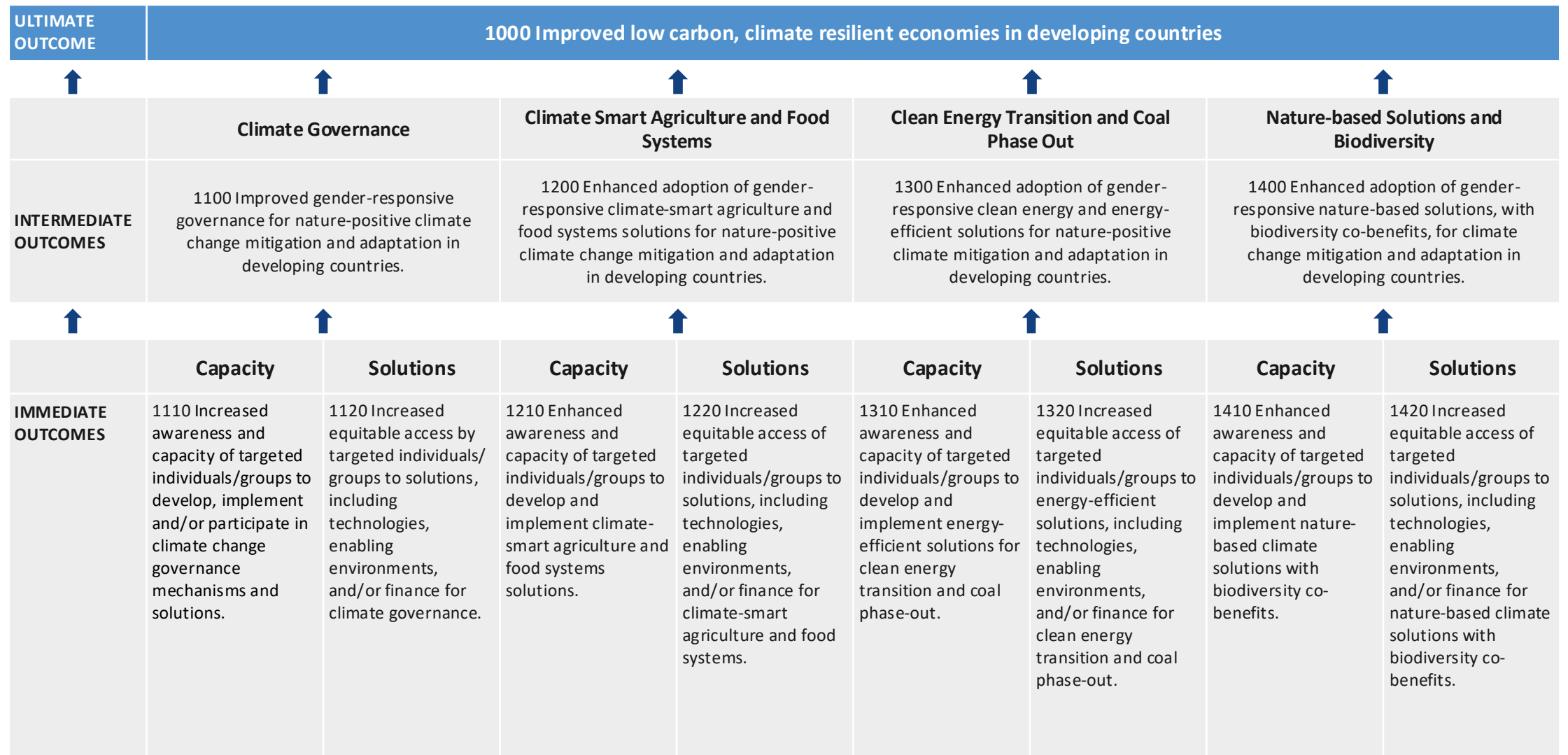
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## Annex A: List of climate finance URCs funded by GAC

Commitment	Funding (\$M)	Project Name	Partners	Start Date	Collaboration Type
<b>\$1.2 billion</b>	\$200	<b>Clean Technology Fund</b>	CIF	2012-03-30	Multilateral
	\$250	<b>Canadian Climate Fund for the Private Sector in the Americas</b>	IDB	2012-03-30	Bilateral
	\$75	<b>Canadian Climate Fund for the Private Sector in Asia</b>	ADB	2013-03-26	Bilateral
	\$270	<b>Canada Climate Change Program -CCCP*</b>	IFC	2018-03-21	Bilateral
<b>\$2.65 billion</b>	\$110	<b>GCF - Initial Resource Mobilization – Repayable Contribution</b>	GCF	2015-12-11	Multilateral
	\$150	<b>Africa Renewable Energy Initiative (AREI)</b>	IFC	2017-12-22	Bilateral
	\$200	<b>Canadian Climate Fund for the Private Sector in Asia - II</b>	ADB	2017-03-27	Bilateral
	\$224	<b>Canadian Climate Fund for the Private Sector in the Americas II</b>	IDB	2019-03-19	Bilateral
	\$250	<b>Canada-IFC Blended Climate Finance Program</b>	IFC	2018-03-29	Bilateral
	\$275	<b>Energy Transition Program</b>	IBRD - WB	2020-03-29	Bilateral
	\$50	<b>Renewable Energy in Small Island Developing States Program</b>	IBRD - WB	2020-03-29	Bilateral
	\$75	<b>Forests and Landscapes Program</b>	IBRD - WB	2020-03-29	Bilateral
	\$150	<b>IFAD Climate Finance Loan 2019-2021</b>	IFAD	2019-12-19	Multilateral
	\$190	<b>Additional Support to IFAD Climate Finance Loan 2019-2021</b>	IFAD	2021-03-31	Multilateral
	\$123	<b>Canada-African Development Bank Climate Fund</b>	AFDB	2021-03-30	Bilateral
	\$53	<b>Land Degradation Neutrality Fund</b>	Private (Mirova)**	2021-03-30	Multilateral
<b>\$5.3 billion</b>	\$110	<b>Green Climate Fund Replenishment Loan</b>	GCF	2019-11-07	Multilateral
	\$28	<b>Energy Access Relief Fund***</b>	Private (SIMA)	2022-03-28	Multilateral
	\$250	<b>Canada-EBRD High Impact Partnership on Climate Action (HIPCA)</b>	EBRD	2023-03-31	Bilateral
	\$1,000	<b>Accelerating Coal Transition Program</b>	CIF	2022-03-31	Multilateral
	\$42	<b>Gigaton Fund: Sustainable Energy at Scale***</b>	Private (Mirova)	2023-03-31	Multilateral
	\$350	<b>Climate Nature Fund Private Sector Asia (CANPA)</b>	ADB	2024-03-12	Bilateral
	\$180	<b>Green Climate Fund 2nd Replenishment</b>	GCF	2024-02-29	Multilateral
	\$500	<b>Net Zero and Accelerator Fund</b>	IDB	2024-03-08	Bilateral
	\$53	<b>Supporting Resilient Green Energy (SURGE)</b>	CDB	2024-03-26	Bilateral

Notes: \* Initially established in March 2011 by the Finance Canada and transferred to GAC in March 2018. \*\*UNDC is the other co-promoters. \*\*\* Funding from the International Assistance Innovation Program.

## Annex B: Canada's \$5.3 billion international climate finance program logic model



## Annex C: Climate finance practices, by donor

The slide presents examples of effective practices in the delivery of climate finance by the 4 studied donors.

### France

- **Climate mainstreaming:** The Agence Française de Développement (AFD) [French development agency] (AFD) published its climate and development strategy for 2017 to 2022, which clearly stated an objective of 50% funding to projects with climate co-benefits in alignment with the Paris Agreement. The AFD's 2025 to 2030 strategy continues this approach and will invest in sustainable infrastructure, resilient agriculture, innovation, youth, Sustainable Development Goals financing, and human development. To support its strategy, the AFD has developed a monitoring and evaluation policy to better understand the complexity and diversity of different contexts, the emergence of new types of interventions and the increased demand for information on the outcomes and impacts of interventions.
- **Geographic focus:** The AFD's work has differentiated objectives by targeted regions.
- **Mitigation/adaptation-calculations:** The AFD uses granular indicators to distinguish between adaptation and mitigation finance, which results in a greater proportion of finance captured as adaptation.
- **Performance management and evaluation:** France publishes performance indicators, with targets and methodology, for the AFD and funding to multilateral funds. It ranks multilateral fund performance based on the assessment of their capacity to carry out projects. The AFD published 6 evaluations related to CF between 2023 and 2025, including a recent evaluation of 35 projects with an adaptation component in Sub-Saharan Africa.

### Germany

- **Varied CF instruments:** Germany delivers its CF contributions through a range of instruments, including development loans, equity investments and other capital market mechanisms to ensure a balanced approach to climate action across adaptation and mitigation.
- **Innovative approaches:** To avoid increasing developing countries' indebtedness and vulnerability, Germany offers "debt-for-climate swaps" where the developing country does not have to repay the debt but instead invests an equivalent amount in mitigation or adaptation projects. Both countries agree on the projects to be implemented and once the projects are implemented successfully, the debt to Germany is considered paid back. This approach has been used in Kenya, Egypt and Tunisia.
- **Strong bilateral focus, with regional priorities:** The majority of Germany's CF is delivered bilaterally. Notably, approximately 50 percent of Germany's bilateral climate finance is directed toward Africa, underscoring a strong regional emphasis.
- **Tracking methodology:** To ensure transparency and to avoid multiple counting, Germany publicly discloses the methodology used to calculate its climate finance contributions, only including the loans' grant equivalent in the contribution.

## Annex C: Climate finance practices, by donor (continued)

### Netherlands

- **Private sector mobilization:** Approximately half of Dutch CF comes from mobilized private sources. The government identified private sector mobilization as a priority, establishing a 50% target and identifying mechanisms and partnerships that advance this objective (Climate Investor One, Dutch Fund for Climate and Development). An independent assessment of private sector mobilization results is undertaken to account for mobilized finance.
- **Clear targets for partner/fund investments:** Funds have targets specific to adaptation finance, allocations to LDCs and SIDS as well as allocations to regions or countries of government priorities.
- **Research, development and demonstration:** The Dutch Fund for Climate and Development is set up with an origination facility that supports project identification and feasibility/demonstration activities before being scaled up for full implementation.
- **Clear sectoral priorities and leveraging of Dutch expertise:** Renewable energy and water sectors are prioritized for Dutch CF investments, consistent with their strengths and expertise. The Netherlands adopts a multi-stakeholder partner approach (the “Dutch Diamond” approach), involving governments, businesses, research institutions and civil society to pool their knowledge and resources to contribute to sustainable solutions.

### United Kingdom (UK)

- **Focus on commitment-level results:** Communication of CF portfolio-level results is accessible through a dedicated webpage\*. Annual and cumulative (2011 to 2024) results are presented against 11 KPIs and 4 KPIs for technical assistance, along with methodologies and guidance on reporting. A good amount of presented data is disaggregated by sex, age, disability and geography.
- **Monitoring and evaluation:** All CF programs are reviewed annually against their theory of change and logframe and many have independent project evaluations. Cross-portfolio syntheses and evaluations are also undertaken. Many CF programs (e.g. Renewable Energy Performance Platform in Sub-Saharan Africa, Transforming Energy Access) have separate websites that showcase project activities and results.
- **Technical expertise:** A large climate and environment cadre is based overseas and in the UK. Evaluations point to the high competence of the UK’s staff working in CF and their ability to share analytical work and build coalitions.
- **Research, development and demonstration:** The UK has a large-scale (£1 billion) research, development and demonstration fund to support clean energy innovation, cross-government collaboration and high visibility.
- **Visibility:** Much of UK’s CF programs and initiatives have strong visibility.