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A Journey of Purpose:

Learning to Scale Gender Change in Canadian Climate Finance in Developing Economies

A Discussion Paper

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Rooibos tea always makes Alima think of her community. Sitting at her small kitchen table in the evening after a long shift on her job as a technician for a large solar farm nearby, she considers herself very fortunate. She enjoys the work, the pay was good, and her hours are predictable. Alima and her husband, Suleman, put her income toward school fees for their two daughters, health-clinic fees for the four of them, and building materials for a new fresh-food kiosk attached to their home that both parents take turns operating. Together with their vegetable farm and Suleman's job as a government administrator, their household now has several revenue streams that should help it cope with future shocks, from inflation to floods.

But what about others? As a volunteer, Alima co-chairs a local women's committee negotiating with the power company her employer, for greater access to affordable electricity for all households in the district. The company sends its power into the national grid but has done little directly for her village. The Chief and Council support the women's committee, which is also seeking funds for a scholarship program to support young local women studying in the STEM fields. Yet some of her male neighbours oppose the latter proposal. Alima realizes that the committee must be strong and well-organized to keep up the pressure necessary to achieve its goals. Their next meeting is in a few days and their agenda will be full. She picks up her phone and begins drafting a message to the committee members.[1]

[1] This scenario is fictitious, based on an amalgam of case material, taking place in an unnamed developing country; beyond one woman obtaining a good job, which benefits her household in significant ways, there is also the broader need for her women peers in the community to also gain tangible benefits from the solar farm; here she tries to use her relatively privileged position to support inclusive change

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Executive summary

1. **Introduction:** This report summarizes the findings and recommendations of a gender learning assessment of Canada's climate finance portfolio undertaken for the Climate Finance Division of Global Affairs Canada (GAC) from April 2022 through September 2022. Data were collected for this study through extensive document and literature review; analysis of a sample[2] of nearly CAD 3.4B in unconditionally repayable contributions (URCs) placed as long-term loans on concessional terms with multilateral development banks (MDBs) and multilateral funds (MFs); interviews with nearly 40 GAC managers and specialists and their counterparts in partner MDBs and MFs; preparation of 12 case profiles of gender-innovative projects; and participant observation at the annual review meeting of the Canadian Climate Fund for the Private Sector (CFPS) in Asia of the Asian Development Bank, a key partner in the portfolio.

2. **Context:** Driven by Canada's Feminist International Assistance Policy (FIAP), Canadian efforts to advance significant gender change in climate finance in low-income countries are ambitious. In 2021, Canada set the following goals: "To double Canada's climate finance commitments to CAD 5.3B during 2021-2026, using a mix of 40% grants and 60% URCs;" and to ensure "that at least 80% of projects integrate gender equality considerations, in line with FIAP", including a targeted approach that "will specifically incentivize projects that advance feminist climate action that supports the poorest and most vulnerable." Figure ES1 depicts the logic model, or theory of change, for this plan, which calls for the portfolio to generate gender-responsive governance, agriculture and food systems, clean energy and energy efficiency, and nature-based solutions through the financing of climate projects.

Source: Global Affairs Canada. 2022

Figure ES1: Canada's International Climate Finance Program logic model

[2] This sample consisted of projects selected for the purposes of this assessment; it does not represent Canada's entire climate finance portfolio

3. Findings: The gender assessment of the climate finance portfolio yielded 12 findings, as follows:

1) GAC is building a substantial and innovative climate finance portfolio and is on track to increase the portfolio to CAD 5.3B by 2026.[3]
2) A typical loan tenor in the portfolio of URCs is about 25 years.
3) Canada's use of URCs for climate finance is increasing in number and size.
4) Canada's climate finance partners are proven and diverse.
5) As financing instruments, URCs have important strengths, but also come with some challenges.
6) Canada's journey toward gender transformative change in climate finance is well underway.
7) For the journey to succeed, however, a set of key challenges must be addressed.
8) There is a need for all partner funds and programs to increase the percentage of projects in their portfolios at the highest rating for gender.
9) While only a small percentage of projects are currently at the highest gender rating, there is potential to expand, deepen, scale, and replicate significant gender results within and across partner institutions, funds, and programs.
10) Gender innovation is clustered at the front end of the MDB/MF business cycle.
11) Partners aim to advance gender at multiple entry points in firms, including board, management employees, suppliers, and customers.
12) Active facilitation of knowledge exchange among high performing companies on climate and gender could improve gender results.

4. Strategies for scaling gender change: While there are formidable obstacles to optimizing women's gains in climate finance, not least from patriarchy's discriminatory and exclusionary norms, Canada's portfolio demonstrates increasing innovation at the climate-gender nexus. This review identified ten strategies for achieving significant gender change: for women's organizations, communities and households, authentic community engagement and access to affordable services; for borrowing companies or institutions, gender performance incentives, targeted employment and training programs, procurement policies, and corporate policies and practices; and for lending institutions, board-endorsed policies, targeted investment funds, integrated finance and gender teams, and meso-level technical assistance mechanisms.

Segment 1 Downstream: ***Women's organizations, communities, households***	
1) Authentic community engagement	2) Access to affordable services
Segment 2 Mid-stream: ***Borrowing company or institution***	
3) Gender performance incentives	5) Procurement policies
4) Targeted employment and training programs	6) Corporate policies and practices
Segment 3 Front-end / upstream: ***Lending institutions***	
7) Board-endorsed policies and practices	9) Gender-integrated investment teams
8) Gender-targeted climate investment funds	10) Meso-level technical assistance mechanisms

Figure ES2: Strategies for expanding and deepening gender change in climate finance

[3] The 2021 commitment aims for 60%, or about CAD 3.2billion, of the CAD 5.3B to be in URCs and 40%, or CAD 2.1B, in grants; in fact, assuming the new target is reached, between 2010 and 2026, GAC's cumulative climate finance contributions will total some CAD 9B

5. **Strategies for mobilizing private investment**: Raising significant private capital for sustainable development continues to challenge governments, development banks and philanthropies. The process of learning how to do this effectively and efficiently continues for the international community in sustainable finance, blended finance, and impact investing. The Canadian climate finance portfolio includes a sub-set of innovative projects that demonstrate how to mobilize private sector investment for climate initiatives in developing economies in three ways: co-investing, de-risking, and corporate bond issuance.
6. **Recommendations**: Considering the findings reported here, it is recommended that GAC's Climate Finance Division and its allies in the Department and partner lending agencies take the following ten action steps to accelerate, deepen and expand significant gender change in Canada's climate finance portfolio:
    1) Develop a detailed roadmap to the portfolio-wide target of 80% gender-responsive projects.
    2) Deploy all the levers all the time to accelerate, expand and deepen gender change (see Figure ES3).
    3) Expand the use of gender-performance incentives.
    4) Animate inter-company learning and spread innovation.
    5) Support technical assistance grants at multiple levels.
    6) Commission independent monitoring of results on the ground.
    7) Increase the mobilization of private investment.
    8) Create the "university of gender and climate finance" to steward and renew knowledge across multiple generations over the next 25 years.
    9) Share Canadian knowledge leadership in gender and climate finance with allies.
    10) Communicate continuously with Canadians.

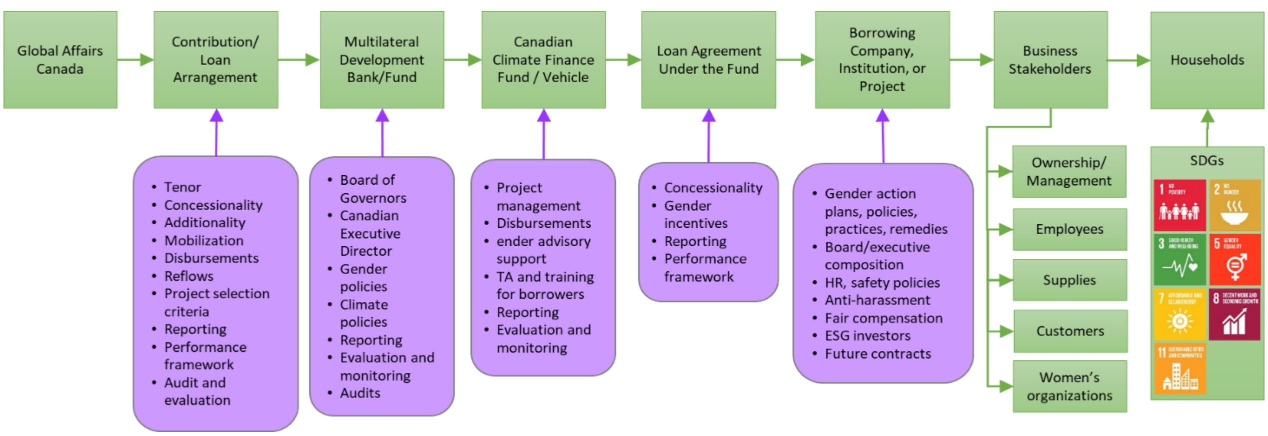


Figure ES3: Points of influence on gender in the climate finance investment chain

7. **Conclusion:** Canada has committed to an ambitious plan to increase the gender responsiveness of all its climate investments while at the same time growing the size of its climate finance portfolio to CAD 5.3B from 2021 to 2026. Beyond this target, it seeks to increase the percentage of its climate projects that are gender transformative, advancing feminist climate action for the poorest and most vulnerable individuals and groups in developing countries. The prime instrument used to construct this portfolio continues to be the unconditionally repayable contribution, which has financed long-term loans to partner MDBs and multilateral funds, most with tenors of about 25 years. In this sense, climate finance is a long game, but it must respond more effectively and faster, in shorter time cycles, to the climate emergency facing the world every day.
    This assessment has confirmed that Canada's journey toward a larger, more gender-responsive climate finance portfolio is well underway. However, to truly succeed—to reach the ultimate

destination Canada has set for itself—Canada's Climate Finance Division along with its peers and allies inside and outside GAC must take control of this process very purposefully to scale significant gender change at all levels: for women's organizations, communities, and households; for borrowing companies; and for lending institutions. This group of advocates must learn to use all the levers of influence at their disposal, all the time. And they must find effective ways of renewing and transferring the knowledge essential for success across multiple generations of GAC and partner personnel over the next quarter-century and beyond. It will be demanding work, but it will be a journey supremely worth taking.

Acronyms

AfDB	African Development Bank
ADB	Asian Development Bank
C2F	Canadian Climate Fund for the Americas (IDB)
CAD	Canadian dollar
CFPS	Canadian Climate Fund for the Private Sector
CIF	Climate Investment Funds (World Bank)
CRC	Conditionally repayable contribution
DFI	Development finance institution
ESG	Environmental, social and governance
FIAP	Feminist International Assistance Policy (GAC)
GAC	Global Affairs Canada
GIIN	Global Impact Investing Network
GCF	Green Climate Fund
GE	Gender equality
GHG	Greenhouse gas
GLI	Gender lens investing
IAIP	International Assistance Innovation Program (GAC)
IFAD-	International Fund for Agricultural Development
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International financial institution
MDB	Multilateral development bank
MF	Multilateral fund
MNT	Mongolian Tugrik
OECD	Organization for Economic Cooperation and Development
SDG	Sustainable Development Goal
SoW	Statement of Work
STEM	Science, technology, engineering and medicine
ToC	Theory of change
URC	Unconditionally repayable contribution
USD	United States dollar
WB	World Bank
WSME	Women-owned or -led small and medium-sized enterprise

1. Introduction

This report summarizes the findings and recommendations of the gender learning assessment of Canada's climate finance portfolio undertaken for Global Affairs Canada (GAC) from April 2022 through September 2022. The report is divided into the following sections: context, purposes of the assessment, definitions, key learning questions, methodology, findings, strategies, recommendations, and conclusions. Annexes provide additional information on terminology, documents reviewed, persons consulted, and the sequencing of recommendations.

2. Context

According to the Statement of Work (SoW) for this assignment: "During the G7 Summit in June 2021, Canada announced that it would double its climate finance commitment to $5.3B over the next five years (2021−26). This includes increasing the proportion of grants to 40%, up from 30% previously (with the remaining 60% in unconditionally repayable contributions); committing 40% of funding to adaptation projects; at least 20% to nature-based solutions and projects with biodiversity co-benefits; and ensuring that at least 80% of projects integrate gender equality considerations, in line with FIAP. In addition to integrating gender considerations into all projects, it is also expected that a targeted gender approach will specifically incentivize projects that "advance feminist climate action that supports the poorest and most vulnerable."

The SoW further states:

> *"To start this new commitment on a solid basis, and to build on the achievements of previous commitments, a comprehensive learning assessment is being commissioned to capture the successes and lessons learned relating to gender equality integration in Canada's repayable climate finance, which is the main funding modality to date. This will help the program take stock of what has and hasn't worked, in order to better scale-up the level of gender equality ambition in the new commitment."*

Canada has built its climate finance portfolio primarily through the provision of unconditionally repayable contributions (URCs), in the form of long-term loans with concessional features, to major multilateral development banks and funds, including the African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IDB), International Finance Corporation (IFC) and World Bank (WB), Climate Investment Funds, Green Climate Fund (GCF), and the International Fund for Agricultural Development.

3. Purposes

The purposes of the learning assessment were two-fold:

1) To "review the performance of the portfolio's unconditionally repayable contributions (URCs) and their related grants (where applicable), in relation to gender equality, and to **identify opportunities and challenges** that will help inform future programming on the use of such financial mechanisms;" and
2) As more concessional and private resources move into this space, to demonstrate and **share Canada's experiences** with other climate finance actors, particularly through a "close look at the effectiveness of gender programming using a combination of financial mechanisms."

4. Definitions

Two concepts were central to this assignment. The first is the **unconditionally repayable contribution**, or URC, which is defined by GAC as: "an innovative finance instrument akin to concessional loans. URCs are contributions that must be repaid according to specific terms negotiated with the partner, and are used to incentivize much needed private sector investments in low-carbon activities, primarily in middle-income and lower middle-income countries."

The second key concept for this assessment is **gender transformative change**. As GAC states: "In defining gender transformative change, we use a feminist approach as outlined in the FIAP. This involves addressing the root causes of gender inequalities including transforming power relations, discriminatory social norms, laws, and practices, ensuring governance structures and processes are inclusive and participatory, and seeking the views and leadership of the most affected by climate change."

Other relevant terms for this assignment are defined in Annex A.

5. Key questions

The key questions (each with more specific sub-questions) that were explored during the assessment included:

1) What are the **pathways, or strategies,** to achieve gender transformative impact with the use of concessional financing in the climate finance field?
2) How can URCs be leveraged to **incentivize private finance investments** in gender transformative programming? What are the possible **investment/financing** options across the investment risk/gender transformative impact pathway?
3) What results were achieved to date with respect to gender equality through the use of URCs? How can these changes be **more transformative**?

4) What types of URC project designs led to sustainable and meaningful/long-term gender equality impact?

The next section, on Methodology, provides more detail on the data sources and analytic tools that were employed to address these questions and their associated sub-questions.

6. Methodology

6.1. Approach

Overall, the approach taken in this assessment was both **learning- and results-oriented** and focused on both strategic and operational issues. Informed by **theory of change** analysis, **contribution** analysis, and **gender** analysis, the consultant carried out the assignment **using mixed qualitative methods**, with **extensive consultations with stakeholders** inside GAC and in URC-recipient institutions as well as in the broader sustainable finance and gender space.

6.2. Data collection

Five main data collection methods were used in this assignment: document review, portfolio analysis, key person interviews, case profiles, and participant observation. This mix of qualitative methods enabled the triangulation and cross-checking of the data collected, helped to determine the accuracy and credibility of interviewee responses, and moderated possible effects of selection and response bias.

1) **Document review** of GAC climate finance documents and other relevant policy, project and sub-project reports, files, and websites from both inside and outside the Department. Annex B presents a working list of documents were reviewed.
2) Detailed analysis of **portfolio projects** of a sample of nearly $3.4B worth of URCs, including loan and contribution agreements with AfDB, ADB, IDB, IFAD, IFC, CIF, and GCF. Among other factors examined were the tenor, concessionality provisions, disbursement schedule, reflow policy, and project selection criteria of each URC project in the GAC portfolio.
3) Individual interviews with nearly 40 **key persons** overseeing and managing URCs in GAC, implementing partner agencies, borrowing companies as well as international experts on climate finance and gender. Annex C is a list of persons consulted for the study. The assessment utilized a general interview guide from which 7-10 questions were drawn and tailored to the role, interests, and experience of each interviewee or group of interviewees.[4]
4) Twelve **case profiles** were prepared of projects or sub-loans that provide useful insights and lessons for strengthening Canada's climate financing to produce gender transformative change. Table 1 lists the projects for which case profiles were prepared.

[4] This general interview protocol is available upon request from the author

Table 1: Case profile projects

Fund	Implementing Partner Agency	Project/Sub-Loan
Canadian Climate Fund for the Private Sector in Asia	Asian Development Bank	• Eastern Indonesia Renewal Energy II • Green Housing for Women, IIFL, India • Upper Trishuli Hydro Power, Nepal, with International Finance Corporation
Canadian Climate Fund for the Private Sector in the Americas	Inter-American Development Ban	• New Juazeiro Bifacial Solar, Brazil • Casablanca Bifacial Solar Power Brazil • Green Park Free Zone, Costa Rica • La Castellana Wind Farm, Argentina
General Program	Green Climate Fund	• XacBank, Mongolia
General Program	International Fund for Agricultural Development	• Taza Mountain - Integrated Rural Development Project, Morocco • Smallholder Agribusiness and Resilience Project, Sri Lanka • Semi-Arid Sustainable Development Project, Bahaia State, Brazil
Investment Portfolio	FinDev Canada	• EcoEnterprises Fund III, Latin America

5) **Participant observation** at the annual review meeting in June 2022 of the Asian Development Bank's Canadian Climate Fund for the Private Sector in Asia II.

6.3. Data analysis

Data analysis was informed by a range of **analytic frames or tools**: the definitions of the URC and gender transformative change; the key questions of the assessment; theory of change; contribution analysis; the URC investment chain; gender analysis; rating scales for gender-focused projects; and gender performance indicators in climate finance.

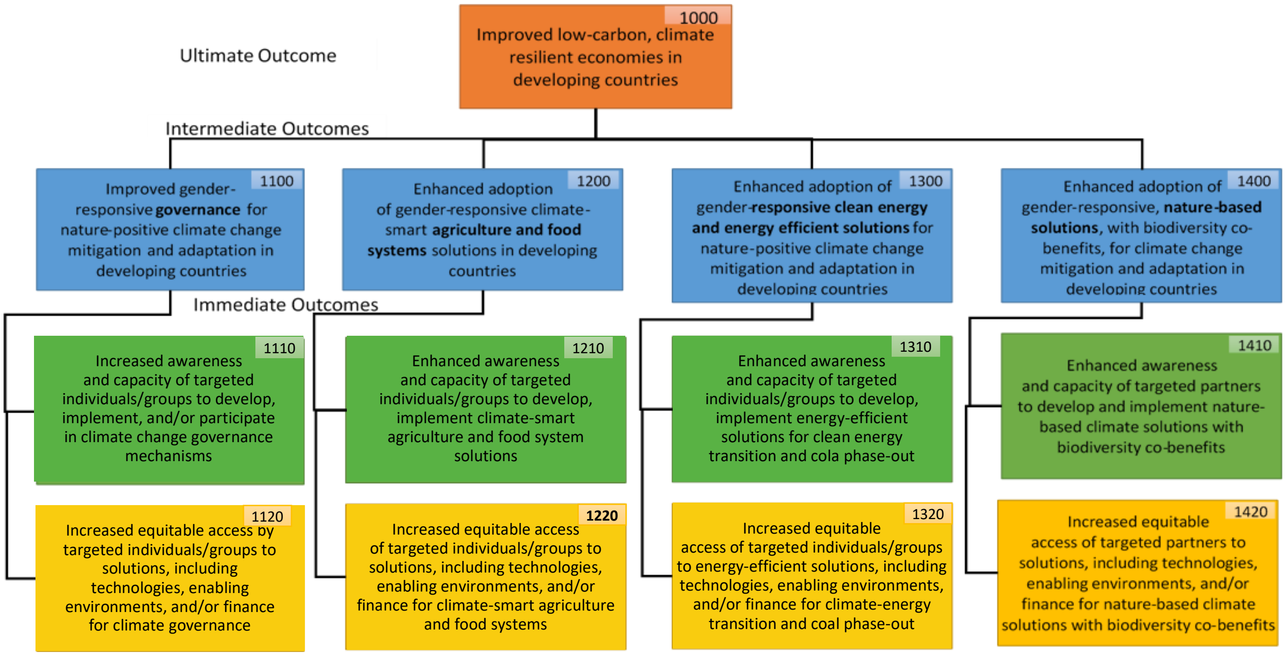
Key Questions: Table 2 links the relevant data sources and analytic tools for each question and sub-question examined during the assessment.

Table 2: Data collection and analysis grid for learning questions

	Learning Questions	Document Review	Portfolio Analysis	Key Person Interviews	Case Profiles	Participant Observation	ToC Analysis	Contribution Analysis	Value for Money	Webinar Session
1	**Pathways to GTC**	X	X	X	X	X	X	X	X	X
1.1	*Forms of programming*									
1.2	*Stakeholder/ partner engagement*									
2	**Incentivizing private investment**	X	X	X	X	X			X	
2.1	*Necessary conditions*									
2.2	*Partner processes*									
2.3	*TA and incentives*									
2.4	*Level of concessionality*									
2.5	*URCs vs CRCs*									
3	**Results achieved to date**	X	X	X	X	X	X	X	X	X
3.1	*Canada's relative performance*									
3.2	*Why no gender?*									
3.3	*Increasing impact*									
3.4	*Higher level effects*									
3.5	*Guidance to partners*									
3.6	*Private sector learning*									
4	**Gender optimizing sub-project design**	X	X	X	X	X				X
4.1	*Sustaining results*									
4.2	*Partner changes*									
5	**Replicability/ scalability**	X	X	X	X	X				X
5.1	*Strategies for scaling/replication*									
5.2	*Obstacles to scaling/replication*									
5.3	*Guidance for Canada*									

Among the issues studied through the assessment was the question of whether and to what extent MDBs/IFIs (multilateral development banks/International financial institutions) require donor funds to achieve meaningful gender results, since gender mainstreaming appears to be embedded in their core business. Another task involved understanding the comparative advantages and disadvantages of GAC using civil society organizations or the private sector versus MDBs/IFIs for gender-transformative climate finance.

Theory of change: At the level of the theory of change for GAC's overall CAD 5.3B climate finance portfolio, the Department's logic model (see Figure 1) was the prime reference point. While almost all the individual URCs reviewed for the assessment were in place prior to this logic model's adoption, this new theory of change constitutes GAC's framework going forward. For individual URCs reviewed here, the relevant theory of change is encoded in the priorities, terms, and project or sub-loan selection criteria of the specialized fund or vehicle set up by each implementing agency, or where there are no such vehicles, in the institution's general program. Lessons and insights from the relevant projects and sub-loans of these URCs were examined against the new logic model to inform future actions.



Source: Global Affairs Canada, 2022

Figure 1: Canada's International Climate Finance Program logic model

URC investment chain: Regarding the URC investment chain, the assessment paid particular attention to leverage points along the chain to increase the significance and scale of gender results to advance gender transformative change. Figure 2 depicts various types of results along the investment chain and identifies key points, or levers, of influence. This tool was communicated to interviewees.

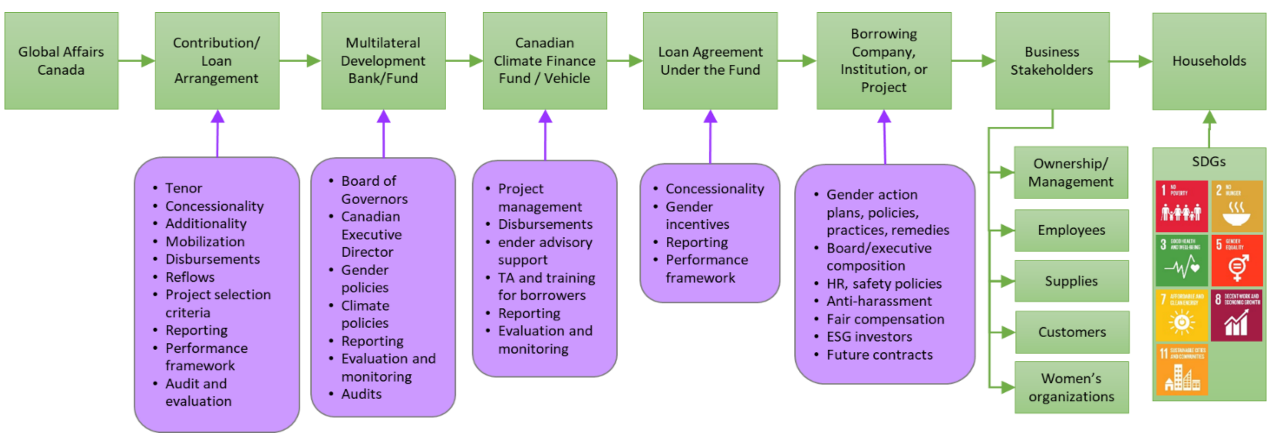


Figure 2: Points of Influence on gender in the climate finance investment chain

Moreover, the assessment attended to differences across sub-projects in terms of classification. Figure 3 shows four classifications of research projects as developed by Canada's International Development Research Centre (IDRC). For the Centre, gender transformative change "is the process of addressing dimensions of power to transform unequal power relations," focusing "on the structures that perpetuate and normalize unequal patterns between women and men. It also entails an intersectional approach, where ethnicity, age, caste, and local values impact the experience of gender and gender inequality."[5] This classification, GAC's own coding system, plus the coding measures of the OECD and ADB, were used to analyze the gender work undertaken through the sub-projects reviewed here.

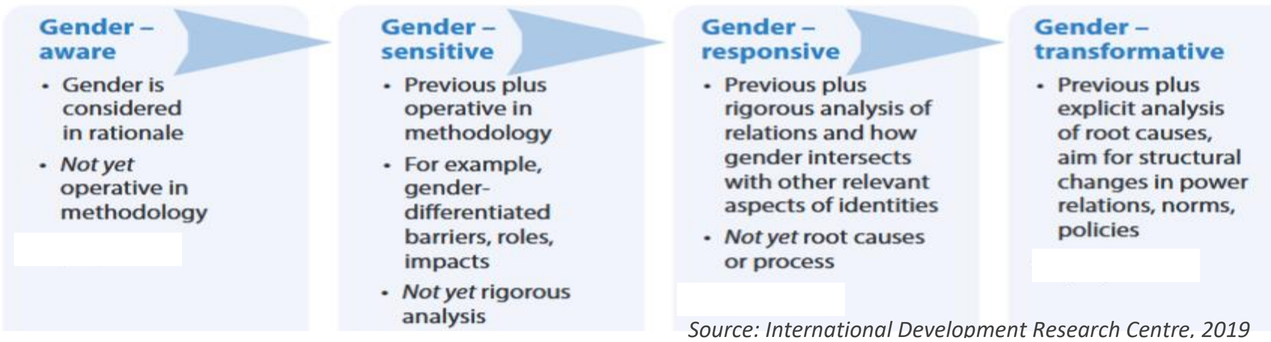


Figure 3: Gender rating system for gender-focused research projects

Finally, special attention was given in the assessment to impact measurement criteria and metrics that are aligned with the 2X Climate Taskforce, a collaborative of development finance institutions and ecosystem builders. Table 3 lists the Taskforce's main performance indicators for sustainable energy, and important sector focus for most URCs.

Table 3: 2X Climate Finance Taskforce results indicators for sustainable energy projects

Criteria		Key Performance Indicators
Direct Criteria		
1	Entrepreneurship	• Women-owned or women-founded companies in sustainable energy (e.g., on and off grid renewable energy, energy efficiency)
2	Leadership	• Share of women in senior management or share of women on the Board in sustainable energy companies or in funds
3	Empowerment	• Share of women in the workforce accessing green jobs in sustainable energy *and* • Programmes to access jobs and enhance employment benefits in sustainable energy (e.g., gender sensitive recruitment, flexible working, encouragement of paternity leave)
4	Consumption	• Women consumers of pay-as-you-go home products
Indirect Criteria		
5	Investents through Financial Intermediaries	• *On lending facilities*: % of DFI loan proceeds to sustainable energy companies that meet 2X direct criteria • *Funds*: % of portfolio companies that are in the sustainable energy sector and that meet the 2X direct criteria

Source: 2X Climate Finance Taskforce, 2021

7. Findings

Global Affairs Canada manages an extensive and growing portfolio of long-term loans with multilateral development banks and multilateral funds aimed at addressing climate change in developing economies through renewable energy, particularly solar and wind, sustainable forestry, sustainable agriculture,

[5] International Development Research Centre, Transforming Gender Relations: Insights from IDRC's Research, Ottawa, 2019

clean water and more. Canada has used URCs as the prime instrument in building this portfolio. Partner lending institutions manage project loans to borrowing companies and provide ongoing monitoring and sometimes technical assistance.

While most projects across the portfolio cannot be considered "gender transformative," many are, in fact, gender responsive.[6] Furthermore, an identifiable sub-set of projects features innovations that can be used to accelerate and scale significant gender results within and across countries and sectors. There is an important distinction here, however, between the gender intensions of projects at the design and approval stages, on the one hand, and the actual performance during implementation, on the other. As the portfolio matures, it will be necessary for Canada and its partner agencies to shift their attention from the front-end of the investment chain to the downstream segments, where the role of companies, communities and households is prominent, and to invest in on-the-ground monitoring and impact studies to learn and improve at the gender-climate nexus.

FINDING 1: GLOBAL AFFAIRS CANADA IS BUILDING A SUBSTANTIAL AND INNOVATIVE CLIMATE FINANCE PORTFOLIO AND IS ON TRACK TO GROW IT TO CAD 5.3 BILLION BY 2026

Table 4 identifies the sample of nearly CAD 3.4B in climate URCs currently managed by Global Affairs Canada that were reviewed for the present assessment. The new commitment announced in 2021 includes $5.3B of programming through end of March 2026, of which 60%, or about CAD 3.2B, will be delivered in the form of URCs. This should be feasible. So should the ramping up of the grant component of its climate finance. In fact, if the new commitment is achieved by 2026, Canada will have, cumulatively since 2010, mobilized CAD 9B worth of climate financing for developing economies. From a technical perspective, GAC has built extensive experience in structuring such investments and increasingly understands how to embed incentives and technical assistance in loan agreements to optimize gender results. Moreover, with the process of growing this portfolio also comes the opportunity of playing a more purposeful role in knowledge sharing and results acceleration and scaling. This applies to knowledge and results on both climate mitigation and adaptation, and on gender equality.

FINDING 2: THE TYPICAL LOAN TENOR OF AN UNCONDITIONALLY REPAYABLE CONTRIBUTION IN THE CLIMATE FINANCE PORTFOLIO IS ABOUT 25 YEARS

Table 4 also shows that the great majority of URCs in this sample of the portfolio involve 25-year loan tenors. Such long repayment conditions suit the partner agencies—MDBs and multilateral funds—which can manage these agreements among a larger, diverse pool of shorter-term and long-term loans, grants, guarantees and membership dues, among other revenue sources. There is a contradiction for both Canada and its partners, it could be argued, in deploying a long-term instrument to address what daily events underscore is an immediate climate crisis. However, capital mobilized through the URCs is in fact used by partners for shorter term projects and sub-loans (i.e., three to five years) to borrowing companies and institutions to build and operate wind and solar farms, expand sustainable food

[6] For Global Affairs Canada: "Gender-responsive refers to Canada's commitment to acknowledge and address the gender norms and structures that marginalize the voices of vulnerable groups, including women and girls. Gender-responsive climate finance will 1) take into account existing structures and relations of gender inequality and 2) identify and bring attention to the contributions of targeted individuals/groups who are affected by climate change and who have a direct or indirect interest in climate change mitigation and adaptation solutions, and biodiversity conservation, while actively highlighting their roles as agents of change and leaders" webpage section

production, and increase access to water for families, livestock, and crops. In any case, the long-term character of the portfolio obliges Canada to become especially proactive in working on all fronts to maximize climate and gender impacts in shorter term intervention cycles across institutions, countries, and sectors.

Table 4: Sample of URCs in Global Affairs Canada's climate finance portfolio

	Partner	Budget (CAD)	Tenor (Years)	Start Date	End Date	Gender Marker
Accelerating Coal Transition	Climate Investment Funds	1B	25	2022	2052	2
2X Canada Recovery	FinDev Canada	30M	15	2021	2034	3*
Inclusive Infrastructure	GuarantCo	40M	15	2021	2036	2*
Additional Support	International Fund for Agricultural Development	190M	24	2021	2045	2
Canada-AfDB Climate Fund	African Development Bank	123M	25	2021	2051	2
Land Neutrality Fund	UNCCD	54M	15	2021	2036	2
Renewable Energy in SIDs	World Bank	50M	23	2020	2043	2
Forests and Landscapes	World Bank	75M	23	2020	2043	2
Climate Finance Loan	International Fund for Agricultural Development	150M	23	2020	2043	2
Canadian Climate Fund for the Private Sector in the Americas (C2F)	Inter-American Development Bank	224M	25	2019	2044	2
Blended Climate Finance	International Finance Corporation	250M	25	2018	2043	1
Renewable Energy in Africa	International Finance Corporation	150M	25	2017	2042	2
Canadian Climate Fund for the Private Sector II (CFPS)	Asian Development Bank	200M	25	2017	2042	1
Initial Resource Mobilization Green Climate Fund 1	Green Climate Fund	110M 110M	25	2015 2020	2042 2046	2
Canadian Climate Fund for the Private Sector II (CFPS)	Asian Development Bank	75M	24	2013	2040	-
Canadian Climate Fund for the Private Sector in the Americas I (C2F)	Inter-American Development Bank	250M	25	2012	2037	2
Canada Climate Change Program	International Finance Corporation	289M	25	2011	2039	1

Source: Global Affairs Canada, 2022

* Managed by GAC's International Assistance Innovation Program; all other projects in the sample are managed by the Climate Finance Division at Global Affairs Canada

FINDING 3: CANADA'S USE OF UNCONDITIONALLY REPAYABLE CONTRIBUTIONS IS INCREASING IN NUMBER AND SIZE

Table 5 presents data on GAC's URCs for the period 2019-2021. In this period, which involved very active years in GAC's last climate finance programming cycle, the Department doubled its number of newly approved URCs from six in 2019 to 13 in 2021. Moreover, the quantum of assets represented by these URCs also effectively doubled, increasing from CAD 940M in 2019 to approximately CAD 1.8B in 2021. Further, it can be expected that this pace of growth will remain strong, especially as a new programming cycle ramps up and runs through 2026. GAC's increasing use of URCs for climate finance signals that Canada's central agencies—the Finance Department and Treasury Board in particular—generally view these instruments as prudent public-policy tools.

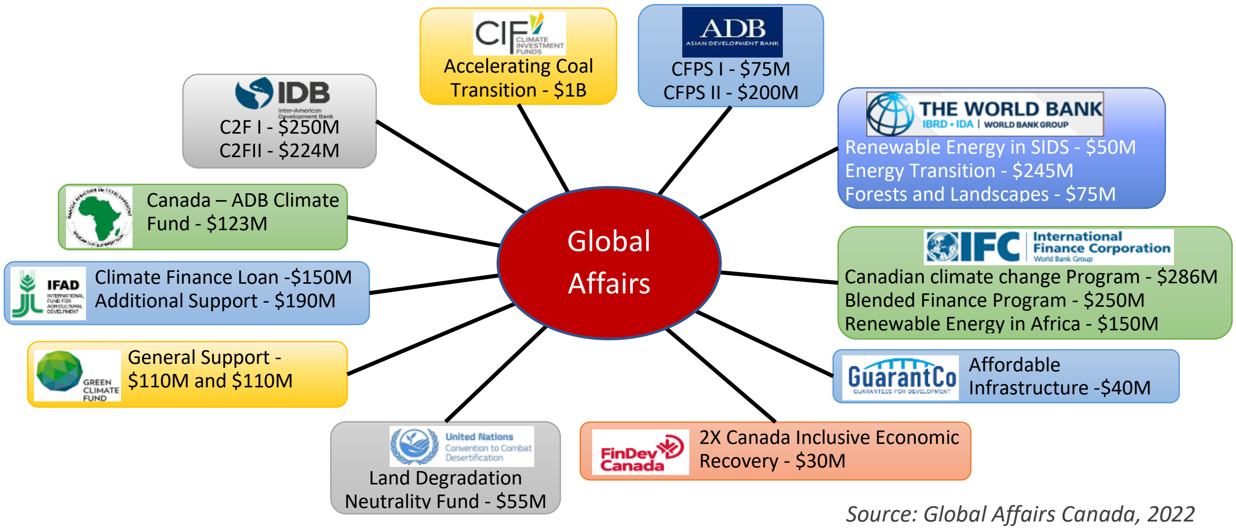
Table 5: Global Affairs Canada's use of unconditionally repayable contributions for climate finance, 2019-2021

Year	Number of URCs	Expenditure on URCs (CAD billions)
2019	6	.94
2020	10	1.15
2021	13	1.76

Source: Global Affairs Canada, 2022

FINDING 4: CANADA'S CLIMATE FINANCE PARTNERS ARE PROVEN AND DIVERSE

As Figure 4 shows, Global Affairs Canada has engaged as its climate finance partners some of the most capable international organizations in development lending. Indeed, most of Canada's partner agencies have proven track records in climate and related lending, and serious policy commitment to, and often strong professional capacity in, gender equality, together with leading knowledge production capacity. They also can responsibly manage large amounts of capital; indeed, that is their core business. Alongside these strengths, though, it also must be noted that these MDBs and MFs come with major overhead: their staffing and office costs are expensive. Further, their fundamental commitment to maintaining their own high credit rating with international markets can result in risk-averse investment decision-making and a tendency to burnish their brand rather than frankly discuss problems. Still, on balance, and as the project evidence marshalled here shows, these institutions are worthy partners of Canada, and Canada of them. Among their leaders and teams are, crucially, skilled and active allies on the shared journey to scale gender change in climate finance.



Source: Global Affairs Canada, 2022

Figure 4: Partner agencies implementing Global Affairs Canada's unconditionally repayable contributions

FINDING 5: AS FINANCING INSTRUMENTS, URCS HAVE IMPORTANT STRENGTHS, BUT ALSO COME WITH CHALLENGES

Unconditionally repayable contributions have important strengths as a financing instrument. First, URCs constitute a flexible tool that can be adapted to the legal, financial, and administrative policies and procedures of a wide range of MDBs and multilateral funds. Second, URCs appear to be well-understood and accepted by Canada's central agencies, particularly the Department of Finance and Treasury Board. Third, like other forms of long-term loans, URCs generate reflows through sub-loan repayments; these reflows are routed to the Canadian treasury for other, onward public policy uses. Fourth, URCs can be, and are, applied at scale, currently ranging from CAD 30M to CAD 1B. For larger URCs, individual sub-loans can be in the CAD 20M to CAD 60M range. Fifth, URCs are negotiated with implementing partner agencies that have proven and stable finance expertise and financial management systems. Finally, most URC implementing partners have strong gender equality policies and professional capacity.

At the same time, however, there are challenges with URCs, at least in the way they have been applied to date. Chief among these is the contradiction that URCs are long-term tools being used to address the immediate climate emergency. This puts the onus on GAC and its partners to demonstrate fast-cycle effectiveness and results through the more rapid design and execution of innovative and targeted shorter-term loans. Second, so far at least, the bulk of URC capital has been allocated to loans in middle income economies as opposed to low income countries. Third, MDBs and multilateral funds have substantial overheads, including high professional salaries and expensive office infrastructure. Fourth, to date, GAC has disbursed its funds for URCs rapidly in the first few years, diminishing its influence in subsequent years, which extend a long way out. Fifth, capital is deployed for sub-loans at a slow to moderate pace; some partners have slow design and approval processes. And sixth, the heavy bureaucratic nature of implementing agencies creates even more distance between GAC managers and specialists, on the one hand, and development results on the ground, on the other. This is especially problematic for understanding—accurately and in a timely fashion—the realization of benefits for and challenges faced by end users, particularly local women in their diverse roles as household managers, customers, employees and entrepreneurs.

FINDING 6: THE JOURNEY OF CANADA'S CLIMATE FINANCE PORTFOLIO TOWARD GENDER TRANSFORMATIVE CHANGE IS WELL UNDERWAY

Thanks to Canada's commitment to gender equality and climate mitigation and adaptation, there is significant innovation in gender and climate evident across the portfolio. A sub-set of projects and sub-loans provides insights and guidance into effective strategies for achieving increasingly meaningful gender outcomes. The policies, practices, and tools of partner-agencies for achieving gender change in climate finance are generally strong and appear to be improving year over year. Targeted funds, notably Canadian Climate Fund for the Private Sector in the Americas (C2F) in the Americas and CFPS in Asia, have been intentional and productive in advancing gender change in the climate space. And broad-based programs (i.e., of CIF, GCF, and IFAD) have also made key gains in policy, assessment, coding, and engagement on gender and climate. The integrated operations of finance and gender professionals in the teams managing targeted funds is another notable feature of the sample of URCs reviewed here.

One targeted fund, C2F, has demonstrated the viability of using gender performance incentives (interest rate reductions, tenor flexibility, etc.) with borrowing companies. C2F, CFPS, and GCF have shown that private investment can be raised through de-risking, co-investing, and new bond issuance. Three partner agencies—IFAD, CIF, and GuarantCo—have created new "meso-level" mechanisms for strengthening gender and climate across their own institutions and portfolios.[7] In general, Canada's leadership in promoting gender equality in climate finance is recognized and valued—and needed—by partner agencies and professionals. Indeed, Canada is viewed by other donors and lending institutions as a key catalyst and ally for advancing the broader shared agenda of expanding and deepening gender results in climate projects.

FINDING 7: FOR THE JOURNEY TO SUCCEED, HOWEVER, A SET OF CHALLENGES MUST BE ADDRESSED

Notwithstanding the progress and innovation on gender in Canada's climate finance portfolio, there is a set of challenges that must be addressed with purpose and verve if this journey is to succeed. First, so far, only a very small number of projects across the portfolio could be said to advance gender *transformative* change in its fullest sense. Second, most gender innovations and significant achievements have occurred in lower middle income countries (e.g., India, Mongolia, Uruguay) rather than in low income economies. Third, loan agreements, gender policies, launch blogs, planning tools and coding at entry do not constitute implementation performance. Fourth, in many cases, project planning and implementation was slowed by the pandemic. Fifth, even the most effective partner-agency teams are loyal first to their own institution's brand and needs, which, from time to time, may result in slower capital deployment or more risk aversion. Sixth, GAC team leaders have limited visibility and direct contact with primary stakeholders on the ground, especially local women, and cannot independently verify claims of progress. Seventh, innovation and learning are not systematically

[7] In this context, the meso-level refers to the level within lending institutions that is "below" board policy but "above" the level of individual projects and sub-loans; instead, it is an institution-wide level that includes departments, programs and portfolios

facilitated within and across partner institutions, or companies, constraining the acceleration, scaling, and wider replication of gender change in climate projects.

FINDING 8: THE JOURNEY REQUIRES THAT ALL PARTNER FUNDS AND PROGRAMS INCREASE THE % OF THEIR PROJECTS THAT ARE RANKED AT THE HIGHEST LEVEL FOR GENDER

All MDBs and multilateral funds have developed systems for rating their projects in terms of their gender-responsiveness or -integration. So does Global Affairs Canada itself. Figure 5 shows three such systems. GAC's GE coding system uses four levels of scoring, from 0 to 3, to rate projects on their expected gender outcomes. The highest rating, 3, is accorded to projects in which: "All intermediate GE outcomes will achieve changes in behaviour, practice or performance." The Asian Development Bank also employs a four-level ranking system[8] for projects on their approach to gender mainstreaming; here the highest-ranking projects are classified as GEN, or gender equity theme, projects. For its part, the Green Climate Fund has adopted the OECD's three-level gender policy marker system, where the highest rated projects have gender as their main objective. Note that different scales or coding systems presented here are not meant to be directly comparable;they all have different approaches and criteria.

Global Affairs Canada GE Coding System	ADB Gender Mainstreaming Categories	OECD / Green Climate Fund Gender Policy Marker Scale
GE-3 Targeted/specific All intermediate GE outcomes will achieve changes in behaviour, practice or performances	Gender equity theme (GEN)	Principal – 2 GE is the main objective of the project
GE-2 Fully integrated At least one intermediate GE outcome will achieve changes in behaviour, practices or performance	Effective gender mainstreaming (EGM)	Significant – 1 GE is an important objective but not the principal reason for the project
GE-1 Partially integrated At least one intermediate GE objective will achieve changes in skills, awareness, access or knowledge	Some gender elements (SGE)	Not targeted – 0 Does not target GE
GE-0 No GE outcomes	No gender elements (NGE)	

Sources: ADB, 2021; GAC, 2021; OECD, 2016, GCG, 2018

Figure 5: Project-level gender classification systems

[8] ADB measures gender equality operations based on project number, not financing volume, which is used by other ranking systems. ADB's categorization system is nuanced, recognizing a broader spectrum of gender designs which fall under the four categories to measure, count, and report on the extent to which gender equality issues are integrated into project design, and with much more specificity for each of the category requirements. ADB's four-tier approach has been used since 1998 to monitor "at entry" gender mainstreaming performance and been updated and clarified over the years. See the updated Guidelines for Gender Mainstreaming Categories of ADB Projects for more details.

In the long-term stewarding of Canada's climate finance portfolio, GAC's Climate Finance Division and its implementing partners can and should redouble their efforts to finance and support an increasingly larger number of climate finance projects that are rated at the highest or second highest levels in these systems. Focusing on the terms and conditions, and incentives, and parallel TA grant funds, there is much that can be done to expand and deepen the gender results of climate projects in all sectors, from renewable energy and financial services to agriculture, transportation, and water. To this end, new project loans to businesses can be designed and existing projects retrofitted with new skills and incentives.

It is important to note, however, that such coding or classification systems are used extensively "at entry"—that is, when the project is designed or approved—and so the ranking reflects *expectations* rather than actual results achieved. Yet for all development interventions, including climate projects, it is the outputs and outcomes they realize during implementation that matter most. GAC's Climate Finance Division must thus shift its frame from a concern with front-end gender ratings at entry to a focus on working with their partners to not only closely monitor projects in the portfolio but also to utilize the fullest set of levers of influence—from TA for community engagement and firm-level organizational change to MDB board-level policy advocacy—to optimize the gender change effected by each project or sub-loan during implementation.

FINDING 9: WHILE ONLY A SMALL PERCENTAGE OF PROJECTS ARE CURRENTLY AT THE HIGHEST GENDER RATING, THERE IS POTENTIAL TO EXPAND, DEEPEN, SCALE AND REPLICATE SIGNIFICANT GENDER RESULTS WITHIN AND ACROSS FUNDS AND PROGRAMS

A scan of Canada's climate finance portfolio indicates that the number of projects that are classified at the highest level on gender is probably in the order of five percent or lower. A reasonable medium-term target over, say, five years, would be to increase this percentage to ten percent. Over 15 to 20 years, it would not be impossible to raise this to 20% of the portfolio. At the same time, the rest of the portfolio—at least 80% of all projects—should be gender-enhanced, as well, by raising currently lower or middle-ranked projects to the second-highest level in all rating systems—that is, to the categories of fully gender integrated in GAC's terminology or effective gender mainstreaming in ADB's terminology.

Figure 6 lists gender ratings for 13 projects of the two phases to date of the CFPS fund of the Asian Development Bank, which is a leading partner for Canada in the climate/gender space. While the CFPS fund did not incorporatespecific gender rating targets, only one loan (out of the 13 projects) to a borrowing company—IIFL in India—achieved the highest rating of GEN. There are also three projects rated at the second-highest level of Effective Gender Mainstreaming, or EGM. The CFPS project portfolio also includes five lower-ranked projects with some gender elements and a final four projects with no gender elements. GAC's Climate Finance Division and the CFPS team will need to use all available strategies along the investment chain to strengthen the gender integration and results of more projects, existing and new, in the portfolio of this targeted fund.

		Country	Project	Approval Year	Gender Cat.
CFPS II	1	NEP	Upper Trishuli-1 Hydropower Project	2019	EGM
	2	CAM	Prime Road National Solar Park Project	2019	EGM
	3	MLD	Supporting Recovery and Development of the Locally-Owned Blue Economy Tourism Sector	2021	EGM
	4	UZB	Navoi Solar Power Project	2020	SGE
	5	AFG	Kandahar Solar Power Project	2019	SGE
	6	INO	Eastern Indonesia Renewable Energy Project (Phase 2)	2018	SGE
	7	VIE	Floating Solar Energy Project	2018	SGE
	8	INO	Eastern Indonesia Renewable Energy Project (Phase 1)	2017	NGE
CFPS	9	IND	IIFLHF Supporting Access to Affordable Green Housing for Women Project	2021	GEN
	10	INO	Sarulla Geothermal Power Generation Project	2013	SGE
	11	SAM	Solar Power Development	2017	NGE
	12	CAM	Cambodia Solar Power Project	2016	NGE
	13	GEO	Adjaristsqali Hydropower Project	2013	NGE

ADB Gender Categorization:
GEN = Gender Equity
EGM = Effective Gender Mainstreaming
SGE = Some Gender Elements
NGE= No Gender Elements

Source: Asian Development Bank/ CFPS, 2022

Figure 6: Gender ratings for projects in the Canada Climate Fund for the Private Sector in Asia

FINDING 10: GENDER INNOVATION IS CLUSTERED AT THE FRONT END OF THE MDB/MF BUSINESS CYCLE

One prominent feature of the sample of the Canadian climate finance portfolio reviewed here is that much of the innovative work on gender is clustered at the front end of the MDB and MF business cycle. As depicted in Figure 7, GAC and its partner agencies are equipped with an array of assessment tools, coding classifications, and guidance notes for project preparation as well as policies, safeguards, agreement templates and more to support the project approval process. However, there are far fewer resources to enable project implementation, monitoring and impact studies. In some ways, this is understandable. Much effort and attention has had to be devoted to structuring URCs and defining the partnerships to implement them. However, as the climate finance portfolio matures, and more capital is placed with borrowing companies, implementation, monitoring, and evaluation assume greater importance.

In the years ahead, GAC's Climate Finance Division must not only build up its quantum of gender-focused URCs, but it also must turn its attention and efforts to optimizing the results of *implementation*. It must shift, therefore, from working on the front-end of the investment chain to accelerating and scaling results in the downstream segments and actors in the chain.

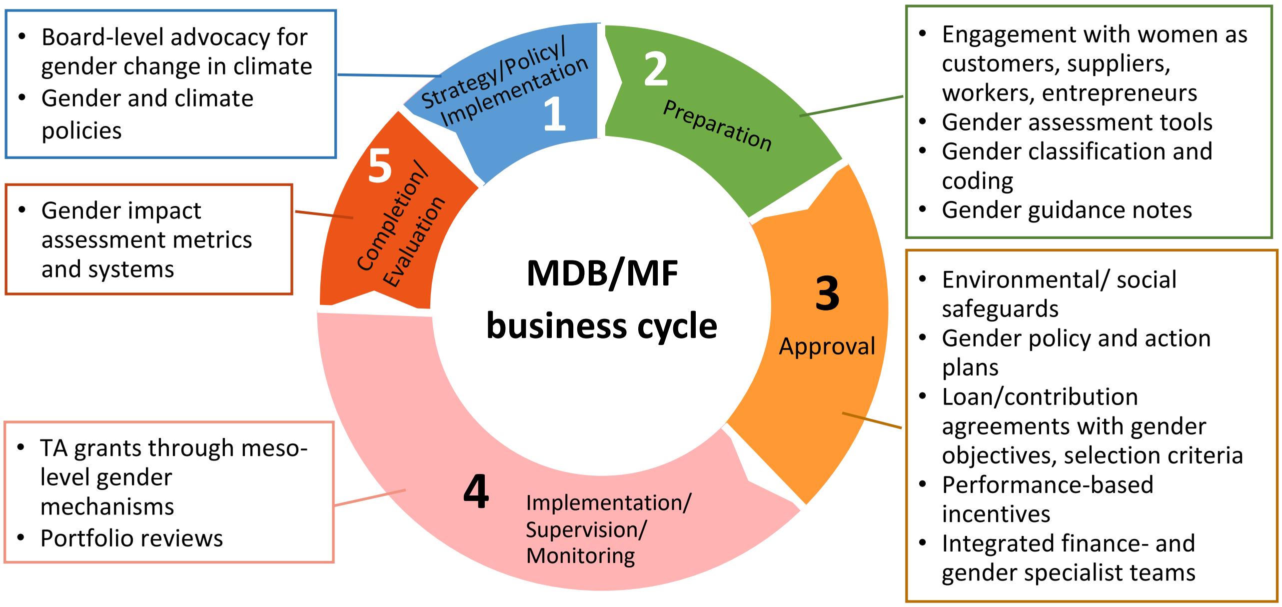
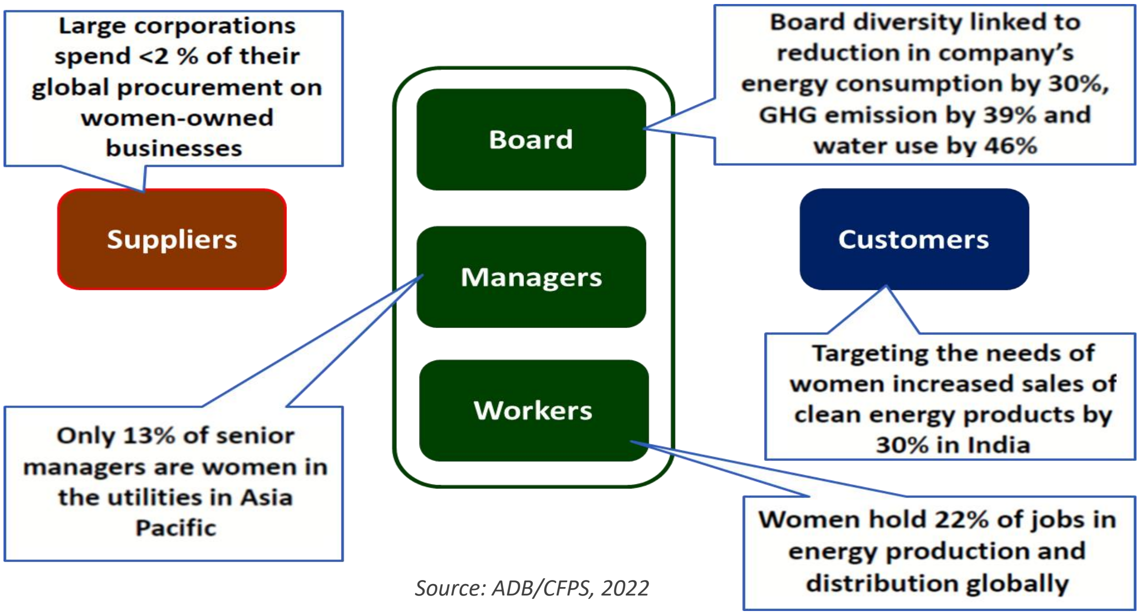


Figure 7: Innovations at the front end of the MDB/MF business cycle

FINDING 11: PARTNERS AIM TO ADVANCE GENDER AT MULTIPLE ENTRY POINTS IN FIRMS

Among Canada's URC partners, some are especially focused on promoting change at the level of borrowing firms. This is particularly true of the CFPS team and its gender specialists at the Asian Development Bank. Drawn from the ADB, Figure 8 depicts the various entry points for advancing gender change within borrowing companies. This includes the board of directors, managers, and workers, as well as suppliers and customers. Further, the CFPS team links progress on gender indicators with related progress on climate metrics. For example, ADB research suggests that companies that diversify their boards can also realize substantial reductions in energy consumption, GHG emissions and water use. At the same time, the CFPS team points to the opportunity for firms to increase their procurement from women-owned or-led suppliers. Indeed, at every entry point, there are both climate and gender gains to be realized.



[9]

Figure 8: Multiple entry points to advance gender change within the firm

FINDING 12: ACTIVE FACILITATION OF KNOWLEDGE EXCHANGE AMONG HIGH PERFORMING COMPANIES ON CLIMATE AND GENDER COULD IMPROVE GENDER RESULTS

Throughout Canada's climate finance portfolio, there is considerable innovation and adaptive learning on gender change within targeted funds and partner agencies at the level of borrowing firms and institutions. This is especially true in the solar and finance sectors in Asia and Latin America, but it is also true for businesses in other sectors and in other parts of the world. However, there is little systematic knowledge exchange on firm-level learning across MDBs and funds. Canada is presented here with an opportunity to convene and facilitate exchange and improvements through the engagement of high-performing companies on climate and gender. This is a role that GAC's Climate Finance Division can and should play. Figure 9 highlights a few of the firms with which GAC could initiate this process, working closely with its URC implementing partner agencies.

[9] A full list of references for Figure 8 includes, forsuppliers, UN Women,*The Power of Procurement: How to source from women-owned enterprises*. New York, 2017; for managers, Ernst and Young. *EY Women in Power and Utilities Index*. Atlanta, 2019; for boards,F.P Analytics. *Women as Levers of Change*. Washington DC, 2020; and for customers, International Finance Corporation,*Women Entrepreneurs Light the Way for Solar Products in India*. Washington DC, 2017

Figure 9: Examples of companies whose innovations could be shared through convenings and knowledge exchange by GAC

Furthermore, the exercise of drawing lessons and insights from the sharing of these firm-level experiences can also be converted into training materials for GAC's own staff in climate, gender, environment, and innovative finance. Moreover, the same material could be used to brief and prepare Canadian ambassadors, executive directors, and other representatives on the boards of MDB and MF partner institutions. Such an experiential learning approach should foster not only continuous professional development but also ongoing improvement in expanding and deepening gender change Canada's climate finance portfolio.

8. Strategies

It is not that significant gender change is not evident in GAC's climate portfolio. In fact, there are many projects that promote benefits for women in climate initiatives. It is rather that such projects often produce change limited to a relatively small number women or cluster of communities. Or that the changes produced are not sustained over the long run. At the project level or sub-loan, the challenge is to understand how to scale up or replicate such results for thousands or tens of thousands of women rather than hundreds. And at the institutional level, the task is to scale across projects, sectors, and countries to the benefit of millions of low-income women and their families.

A review of a sub-set of gender-oriented projects in the climate finance portfolio of Global Affairs Canada highlights a range of innovations for expanding and deepening gender equality in climate finance at three segments along the investment chain: first, the downstream segment of women's organizations, communities, and households; second, the mid-stream segment of the borrowing company or institution; and third and finally, the upstream segment of the lending institution. Ten strategies for expanding and deepening gender change arising from these cases are worth highlighting. Figure 10 summarizes these strategies.

Segment 1 Downstream: *Women's organizations, communities, households*

1) Authentic community engagement
2) Access to affordable services

Segment 2 Mid-stream: *Borrowing company or institution*

3) Gender performance incentives
4) Targeted employment and training programs
5) Procurement policies
6) Corporate policies and practices

Segment 3 Front-end / upstream: *Lending institutions*

7) Board-endorsed policies and practices
8) Gender-targeted climate investment funds
9) Gender-integrated investment teams
10) Meso-level TA mechanisms

Figure 10: Strategies for expanding and deepening gender change in climate finance

8.1. Strategies for expanding and deepening gender change in climate finance in developing economies

SEGMENT 1: DOWNSTREAM: WOMEN'S ORGANIZATIONS, COMMUNITIES, AND HOUSEHOLDS

1) AUTHENTIC COMMUNITY ENGAGEMENT

Too often in the past, in the climate space as well as other sectors, the proponents of development projects have opted for superficial engagement of local organizations to understand local culture and priorities. Consulting only with male-dominated structures, intentionally or otherwise, runs the risk of neglecting the crucial perspectives and needs of women and girls. In contrast, taking the time and effort to authentically and systematically discuss with local women's organizations their views on, criticisms of, and potential uses for a proposed climate project can yield significant benefits for all women in the area and avoid harmful practices and activities. Such collaborative planning processes may require a TA grant to support the retention of gender and community-development specialists, local and external, to animate this work.

The International Finance Corporation is a lead investor in the Upper Trishuli Hydro Project in Nepal. CFPS also participates in the financing of the project. The project will affect 80 hectares of land in Rasuwa District, an area populated by Indigenous communities. While there was controversy and community opposition in the earlier stages of the Upper Trishuli project, more recently IFC supported a substantive process of free, prior, and informed consent (FPIC) with local Indigenous organizations. The six-month process was co-led by an external consultant and a local Indigenous representative. A local advisory council comprising 85 representatives from ten villages negotiated with the Nepal Water and Energy Development Company a set of conditions that were acceptable both to the project implementers and Indigenous groups. As part of the FPIC agreement, in addition to a community benefits package that includes new roads, schools and health services, residents are offered share options to become equity owners in the project.[10]

IFAD's Semi-Arid Sustainable Development Project in northern Bahia State in Brazil builds the capacities of individuals and community and economic organizations through the participatory development of business or work plans. In 2021, the project served 68,000 households, including 39,000 women-represented households and nearly 1,500 Afro-Brazilian households. Of USD 8.5M worth of community-planned investments, USD 730,000 had been disbursed. Among other components, the project supports groups of biodiversity guardians, in which women are heavily involved. IFAD reports that this initiative works "to guarantee agroecological practices based on preservation, multiplication, and diffusion of local seeds and animal species." The project also funds the training of women in childcare practices.[11]

2) ACCESS TO AFFORDABLE SERVICES

There is very little that is more transformative than low-income women gaining access to the steady, affordable supply of electricity, water, or healthy food. Family members in the household can convert increased access to these and other services into income-generation for small-business or farm investment, housing improvements, or gains for both children and adults in educational and health outcomes. Clean energy projects, for example, must understand in detail the needs of local women in their households for affordable power, particularly in terms of their willingness and ability to pay, before the projects link their solar or wind farms to local grids. Front-end, participatory research can and should be used to assess such needs and plan responsive projects that will optimize benefits for women in their households and communities.

IFAD's USD 82M Smallholder Agribusiness and Resilience Project (SARP) aims to reduce poverty and food insecurity in six districts in Sri Lanka's dry zone through the building of resilience and market participation of 40,000 households. The main project works to strengthen climate resilience and inclusive value chains—especially in goats, dairy, chilli, fruits and vegetables, and specialized crops such as aloe vera and moringa—through capacity building and training as well as rehabilitation of water tanks, feeder roads and other last-mile infrastructure. Recognizing the vulnerability of women-headed households and women farmers more generally, the project's gender strategy provides for direct targeting of support for homestead gardening and farm production, as well as marketing and management assistance for women's groups in growing rural enterprises. SARP also builds the capacity of project staff and contracted service providers (e.g., farm business schools) to deliver gender responsive and socially inclusive program implementation, monitoring and evaluation.[12]

SEGMENT 2: MID-STREAM – THE BORROWING COMPANY OR INSTITUTION

3) GENDER PERFORMANCE INCENTIVES

Borrowing companies, such as renewable energy firms, seek commercial success and business expansion as much as generating increased kilowatt hours of electricity and reducing greenhouse gas (GHG) emissions. One of the factors they must contain is the cost of financing their growth. Thus, the prospect

[10] International Hydropower Association, Achieving Indigenous consent for hydropower in Nepal, May 7, 2020 News item
[11] IFAD, Semi-Arid Sustainable Development Project, Brazil, Project Design Document, Rome, 2019
[12] IFAD, Smallholder Agribusiness and Resilience Project, Sri Lanka, Project Design Document, Rome, 2019

of a cheaper interest rate on a major project loan is material for them. Canada's Climate Fund for the Private Sector in the Americas, managed by the Inter-American Development Bank, has successfully tested a model for using interest-rate incentives to lever an increase in the number of women hired during the construction phase of a large-scale solar project. In the case of the Casablanca Giacote Solar Project in Uruguay, the terms of the incentive provided for a significant and material interest rate reduction if the project hired women for 15% of its construction work force, an ambitious increase from the typical rate of 3.5% for women's representation in the construction industry.[13] Table 6 shows the verified metrics that triggered the interest-rate reduction.

A form of results-based financing, this scheme carries the added benefit of enhancing the sustainability reputation of the borrowing company. This, in turn, is very useful for the company in raising additional investment from the segment of the capital markets that prioritizes high environmental, social and governance (ESG) performance by prospective investee firms.[14]

Table 6: Interest rate reduction targets, Casablanca Giacote Solar Project, Uruguay

Targets	Amount of C2F Interest Rate Adjustment
Target 1.1: Labour Force Participation • Women comprise at least 15% of the total number of workers at each site	**0.375%** permanent reduction if targets 1.1 and 1.2 are met*
Target 1.2: Labour hour condition • At minimum, 15% of total hours charged by the subcontractor are attributed to women • At minimum, 2/3 of the sum of the minimum hours attributed to women are in higher-skilled activities	
Target 2: Contractor condition • Both the engineering, procurement and construction (EPC) contract and contract between EPC contractor and subcontractor include provisions providing compensation for achievement of the employment targets	**0.375%** permanent reduction if target 2 is met*
**assessed at completion of construction*	

Source: Convergence, 2022

In another incentive scheme, IDB Invest provided a 15-year, USD 36M loan to Central Puerto, a private electricity company, to develop and operate the Castellana wind project in Argentina. C2F provides USD 5M toward the financing package for this 99 MW wind farm south of Buenos Aires. The C2F loan includes an incentive mechanism to promote gender equality in the wind energy sector. Since 2018, 12 women from the STEM fields have participated in the company's internship program. Training with

[13] As a case study of the solar industry in Uruguay reports, "During the structuring period of the Casablanca Giacote transaction, IDB Invest recognized meager participation of women in the construction sector, a common characteristic of the industry exhibited both regionally and internationally. For example, in Uruguay, only about 3.5% of all construction jobs were held by women, who are instead disproportionately represented in lower income earning sectors, like retail and health;" N. Zelenczuk, Developing the Solar Market in Uruguay, Convergence, IDB Invest and C2F, Toronto, 2022, p.7

[14] For its part, CIF is using a similar model with renewable energy and energy efficient companies in Mexico and Brazil.

senior management on unconscious bias has resulted in 60% of all job vacancies being filled by women in 2021.[15]

In addition, in the Juazeiro project in Brazil, IDB Invest is providing a 15-year, USD 67M loan to Atlas, a private renewable energy company, to design, build, operate and maintain four bifacial (two-sided panels) solar power plants. C2F contributes USD 7.5M toward this financing package. "To date," IDB Invest reports, "the project has incorporated Afro-descendants and women in the construction of the solar park, reaching a 10% female representation in its workforce,"[16] a marked increase from much lower typical levels.

More recently, in Costa Rica, C2F is contributing USD 3M toward IDB's USD 20M loan to the Guerrero Group to develop and operate the Green Park Free Zone, a sustainable industrial park. The C2F component requires the park project to increase gender diversity in its labour force during its construction and operations phases. IDB Invest notes that: "The number of women trained and employed is expected to increase from 8% to 35%. The company has also committed to reaching a percentage of women employed in middle and senior management and in technical roles of at least 15%."[17]

4) TARGETED EMPLOYMENT AND TRAINING PROGRAMS

Recognizing their financing partners' priority on gender equality, some borrowing companies make a special effort at project sites to train, hire and support women in non-traditional jobs as well as in more traditional ones. For example, a CFPS project in Eastern Indonesia profiles the role of a local woman technician in the post-construction operation and maintenance of its solar farm. Across their labour force, companies must ensure, resolutely, that such opportunities offer decent work, fair pay and benefits, and safe working conditions for women.[18] Moreover, some sectors (e.g., hydropower, agriculture, transport, finance) inherently generate more jobs for women and men than others (e.g., solar, wind). In sectors with limited immediate employment potential, some projects of CFPS and C2F/IDB, for instance, use grants to support tertiary-level scholarships for women to study in the STEM fields in preparation to participate as technical professionals in future climate initiatives.

In Vietnam, the Di Ma Solar Power Plant is based on a group of solar panels floating on a reservoir, which is linked to a hydro power plant. With CFPS as an investor, the floating solar operation provides electricity for 6,000 families in the area. The project provides skills training in hydro and solar technology employment opportunities for women in maintenance and operations. DHD, the company implementing the project, has adopted a gender action plan that includes raising awareness on respectful workplaces. DHD and the district Women's Union have run joint training courses for residents on gender equity and health care for women and children, including safeguarding women and

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[15] IDB Invest, IDB Invest finances La Castellana wind project to diversify Argentina's energy matrix New Item and recent project updates

[16] E. Robberechts and J. Serano, Towards a Fair, Inclusive Transition: Employing Women in Infrastructure Projects, Blog, IDB Invest, March 21, 2022

[17] IDB Invest, IDB Invest, Green Park Promote a Sustainable Industrial Park, Gender Diversity in Costa Rica, March 8, 2022 News Item

[18] While all targeted employment and training efforts examined by the current study are based on the male-female binary, this strategy holds potential for expanding the concept of gender to include diverse gender identities, particularly LGBTQ people, whose livelihoods could be significantly enhanced by good jobs and employment pathways in climate infrastructure projects

children from sexual harassment and abuse. Another project-sponsored course focused on improved planting and pest-control methods for cashew and coffee crops. In addition, DHD has also provided scholarships for 110 low-income students in the area. While, overall, this project is judged by ADB to only have some gender elements, its community-level activities on gender have nonetheless been considerable.[19]

In Eastern Indonesia, CFPS contributes to a USD 40M financing package from ADB to Vena Energy to develop and operate four solar power plants on Lombok Island. To build its local workforce, Vena offers training and certification in solar energy systems. One woman, Fatma, successfully completed this training and was hired as a member of the maintenance team. "Learning the same skills as my colleagues," she said, "I eventually realized that there is not much difference to what we can do. And we have a solid team here. Even though very few women work on this site, we support and respect each other." Another initiative of the project has been to support entrepreneurial training and business advice for a women-owned cassava chip business on Lombok Island. The project is supporting the permitting and certification of the business to enable it to sell its product to international markets. ADB classifies the Eastern Indonesia project has having only some gender elements, but these innovations are noteworthy.[20]

In Morocco, IFAD operates the USD 83M Taza Mountain Integrated Rural Development Project to sustainably increase the income of rural households in the mountain areas of Taza Province. Promising enterprise and employment opportunities for women and youth include value chains for climate-resilient orchards in almonds, figs, and olives, plus honey production, supported by rehabilitated water tanks and rural roads. The project is enabling 3,000 of the poorest local women to build their business skills through a functional literacy program. Other women in the project area will acquire new skills in management and finance through business training provided to the MSMEs, cooperatives and social enterprises in which they work or are members. The project operates within the national framework of the Green Morocco Plan.[21]

5) PROCUREMENT POLICIES

Borrowing companies can decide to encourage local women-owned or women-led small and medium-sized enterprises (WSMEs) to provide climate projects with goods and services. This can be achieved through procurement policies that provide bonus points for WSMEs in bidding competitions or through the setting of quotas (i.e., establishing a percentage of goods and services that must be sourced from local WSMEs). Unlike the other strategies for scaling gender change discussed here, there is little evidence of projects in Canada's climate finance portfolio using procurement to advance gender equality, although the Asian Development Bank is very interested in and working on promoting this pathway. Incentives, knowledge exchange and training can all be used to enable a wide range of procurement policies and practices for gender equality to flourish across the portfolio.

[19] Global Affairs Canada, Investing in floating solar power in Vietnam, Ottawa, December 16, 2021 Web Page.
[20] See Asian Development Bank, Eastern Indonesia Renewable Energy Project II, Series of Videos entitled Power and Empower: Improving Lombok Women's Lives by Investing in Clean Energy, Manila, 2021
[21] IFAD, Taza Mountain Integrated Rural Development Project, Project Design Report, Rome, 2019

6) CORPORATE POLICIES AND PRACTICES

There are a few cases in the portfolio where borrowing companies have fully embraced gender equality across their corporate policies and practices, organizational structures, and decision-making processes. Two impressive cases come from the finance sector in Asia: IIFL Home Finance in India, a project of CFPS, and XacBank in Mongolia, which partners with the Green Climate Fund. These financial companies have instituted policies and guidance on gender mainstreaming; increased women's representation on executive teams and boards; gender-responsive staff recruitment and training; targeted financial products for women and WSMEs; and ongoing learning and adaptive management. In both cases, a revitalized business model and strong senior leadership support have been key factors. A third example is women-owned EcoEnterprises Fund III, an investee of FinDev Canada, which finances biodiversity-based businesses in Latin America and prioritizes WSMEs, equal pay, and jobs for women.

One project that is achieving comprehensive organizational change for gender equality up and down and across its structure is that of the green homes loan program for women of IIFL Home Finance in India. Recently approved loans—USD 10M from CFPS and USD 58M from the Asian Development Bank's ordinary capital resources—will enable IIFL Finance to deliver 6,000 loans to women borrowers to build some 12,000 green housing units to address India's severe urban affordable-housing shortage. All housing developers involved in the program receive gender training. In addition, IIFL is using gender-responsive recruitment practices to achieve 51% in its women staffing level in two local branches with likely expansion of this model across India. In 2021, the project won the ADB Shireen Lateef Gender Equality Operations Awardsfor Best Project with Gender Designs for non-sovereign / private sector operations. It also is classified as a gender equity theme project by ADB, the Bank's highest gender rating.[22]

SEGMENT 3: UPSTREAM/FRONT-END: THE LENDING INSTITUTION

7) BOARD-ENDORSED POLICIES AND PRACTICES

Governance boards are sites of debate and decision-making. Canada has long been a shareholder or funder, and a member of the boards, of the MDBs and multilateral funds in its climate portfolio. Over the past five years, Canada's Feminist International Assistance Policy has informed its work on these boards and reinforced its interest in advancing gender equality in these institutions. In 2021-2022, for example, as board co-chair of the Green Climate Fund, Canada led a successful effort to renew the Fund's gender policy, which was not viewed as a priority by all board members. Canada can and should do more through its board engagement to advance the policies and practices of its partner agencies to deepen and expand gender equality through climate finance. First, Canada's Executive Directors and Ambassadors to these institutions, as well as other GAC representatives on their boards, should be briefed on the full range of scaling strategies discussed here. Second, Canada should join forces with other board members to advance the gender-climate agenda. Across the MDBs and MFs, potential board-level allies include the European Union, the Netherlands, France, Indonesia, Mexico, South Africa, Sweden and other Nordic countries, the UK, and the US, among others.

[22] Private Sector Operations Department, Gender Mainstreaming in Private Sector Operations, GAC-CFPS/CFPS II Annual Meeting, Ottawa, June 15, 2022

8) GENDER-TARGETED CLIMATE INVESTMENT FUNDS

There is a richness in the experiences of Canada's gender-targeted climate investment funds—particularly C2F in Latin America and CFPS in Asia—that is instructive for the portfolio more broadly. Because of the clear priority on gender in the current phases of these funds, the teams managing these funds have been motivated to integrate gender not only into the structure of their project loans, but also into their own internal ways of working. Further, through reviews and blogs, team members have taken the opportunity to reflect on what works in advancing gender change. All of this has stimulated learning on the part of Global Affairs Canada. Perhaps now these targeted funds can turn their attention to discussing more frequently what they have found does not work, as well as accelerating their efforts to replicate across their own portfolio and institution what does. None of this is to diminish the valuable achievements and learning generated by other partner agencies that don't run targeted funds per se. Indeed, some, like CIF, IFAD and GCF, operate within very strong gender policy frameworks.

9) GENDER-INTEGRATED INVESTMENT TEAMS

One notable feature of C2F and CFPS is the closely integrated way in which their finance, administration, and gender specialists work together to manage these funds and to nurture innovation and results. In fact, their respect for one another's expertise, their thoughtful sequencing of contributions, and their evident commitment to continuous achievement, learning, and improvement are among the strengths of these teams. True, they are also forceful advocates for their own models and frameworks, and tireless in their efforts to burnish their institutional brands. Nonetheless, the seamless way in which they operate on a day-to-day basis would seem to set a new standard for climate finance and gender practices everywhere.

10) MESO-LEVEL TECHNICAL ASSISTANCE MECHANISMS

How lending institutions can convert innovation or results at the single project level into broader, institution-wide change is a key question. One potential answer to this question is being tested by three partner agencies in the form of can be termed meso-level technical-assistance mechanisms.[23] As Figure 11 shows, IFAD's Gender Transformative Mechanism aims to incentivize and support partner governments "to achieve gender transformative results in agriculture, strengthen climate resilience and improve rural people's well-being." GAC's International Assistance Innovation Program is supporting the GuarantCo Gender Task Force to help its parent company, the Private Infrastructure Development Group, to strengthen its capacities for promoting gender equality at the organizational, project and client levels. And the Women-Led Coal Transition grant mechanism under CIFs' Accelerating Coal Transitions "will help to foster women's climate leadership and effective participation" in that initiative. For these and other grant-funded, institution-wide mechanisms, Canada should determine the appropriateness and feasibility of their design; participate in their piloting, refinements, and fundraising; and scale up its support over time as merited by credible evidence of their performance.

[23] Here "meso"-level refers to the institution-wide mandate of the mechanism, encompassing departments, programs and portfolios; it is not aimed at the "macro" or corporate policy level or at the "micro" level of projects/sub-loans, companies, or communities

Transformative Gender Mechanism

"The ***Gender Transformative Mechanism*** in the context of Climate Adaptation (GTM) supports and incentivizes IFAD's partner governments to increase investment, capacities, and activities to achieve gender transformative results at scale in rural areas. By 2030, the GTM aims to empower over 20 million rural people across 27 projects and 20 countries to achieve gender transformative results in agriculture, strengthen climate resilience, and improve rural people's wellbeing"
IFAD, 2021

GuarantCo Gender Task Force

The GuarantCo **Gender Task Force** helps PIDG implement its Gender Action Plan. "The Task Force aims to be a practical resource for the wider team seeking to enhance gender equality at (a) the organisational level, (b) project level, and (c) client level. The Recipient shall ensure that it has sufficient capacity and human resources to implement and monitor its gender equality commitments on an ongoing basis."
IAIP Agreement with PIDG, 2021

Women-Led Coal Transition Grant Mechanism

"Canada's recent funding for CIF's ***Women-Led Coal Transition*** (WOLCOT) grant mechanism under Accelerating Coal Transitions (ACT) program will help foster women's climate leadership and effective participation in designing and implementing coal-to-clean transition projects where women are traditionally marginalized"
CIF, 2022

Figure 11: Meso-level technical assistance mechanisms

8.2. Strategies for mobilizing private sector investment

Raising significant *private* capital for sustainable development continues to challenge governments, development banks and philanthropies. The process of learning how to do this effectively and efficiently continues for the international community in sustainable finance, blended finance, and impact investing. The Canadian climate finance portfolio includes a sub-set of innovative projects that demonstrate in practical terms how to mobilize private sector investment for climate initiatives in developing economies in three ways: co-investing, de-risking, and bond issuance.

1) CO-INVESTING

One strategy for mobilizing private capital is to engage the private partner from the outset as a co-investor, even the lead co-investor. One most interesting case utilizing this approach is that of the Green Climate Fund's support for XacBank in Mongolia, a commercial financial institution with 1 million customers. XacBank contributed $40M and GCF $20M to fund the bank's GHG emission reduction loan program for SMEs—in other words, providing two-thirds of the capital. Loans are aimed at businesses that sell products or services (e.g., solar panels, waste management, etc.) that reduce GHG emissions by 20% or businesses that retrofit their own operations to reduce their emissions by that amount. The program places a priority on lending to WSMEs and offers women-led borrowing firms slightly lower interest rates on their loans, as Table 7 shows, in both Mongolian Tugrik (MNT) and US dollars. More specifically, XacBank provides women-led micro, small and medium-sized enterprises (MSME) the lower interest rate benefit if they meet one of the following conditions: at least 40% of their employees are women; 51% of the company is owned by women; or 30% of its senior managers are women. As of 2022, one third of XacBank's own executive team is female. XacBank is owned by a holding company whose shareholders include local and foreign private individuals and companies, non-profits, and development banks. National Bank of Canada, for example, is a leading international shareholder in XacBank.

Table 7: Loan terms, SME Business Loan for GHG Emission Reduction Program, XacBank

Loan Condition		Business Loan				Commission Fee	
Currency		MNT		USD		MNT	USD
		Monthly	Annual	Monthly	Annual		
Interest rate per month	For any businesses	1.25%	15.00%	0.85%	10.20%	1%	0.5%
	For women-led MSMEs	1.20%	14.40%	.75%	9.00%		
Loan Period		Up to Five Years					

Source: XacBank, 2022

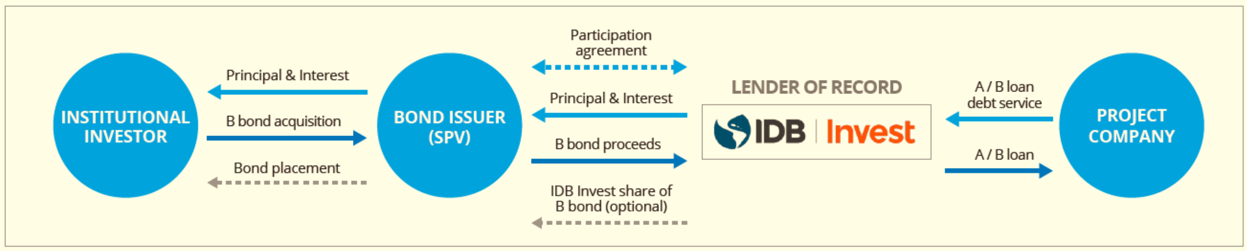
2) DE-RISKING

Another strategy for mobilizing private investment for climate projects can be termed de-risking. This practice involves using public funds to demonstrate the viability of the business case for an initiative so that it can subsequently attract private capital to fund additional phases. This approach was used by IDB Invest to refinance the operations phases of three solar projects in Uruguay. The borrowing companies in these projects—La Jacinta, Natelu Yarnel, and Casablanca Giacote—all had long-term leases from the government to run the solar farms. All three projects were also financed in part by C2F, the Canadian climate fund. Each project took several years to complete their construction phases, at which point IDB Invest restructured their financing using a bond tool (see below) aimed at institutional investors, particularly life insurance companies, such as Met Life Asset Management. The role of public and blended financing was crucial in the construction phase, setting the stage for wider investor interest in the operations phase.[24]

3) ISSUANCE OF CORPORATE BONDS

An important part of the story of the refinancing of the three solar projects in Uruguay is the tool that was used by IDB, C2F and other financing partners participating in the capital "stacks" of these projects. This tool was IDB's "A/B" bond, which the agency had used previously to refinance a major wind energy project in Uruguay. Figure 12 shows that a special purpose vehicle was used to issue a senior note, the bond, to institutional investors in the capital market, which in turn funded the new loan to the borrowing company. Principal and interest payments on the loan were routed through IDB Invest for bond repayment. The size of the bonds was significant. The La Jacinta A/B bond acquired through private placement by a life-insurance company was valued at $58.6M (see Table 8). Met Life acquired the Natelu Yarnel bond for $27M. Moreover, the C2F tranche of concessionary financing was crucial to ensuring the investment-grade quality of the bonds. As a case study on the experience commented: "The soft capital from C2F was critical as it filled the gap and brought borrower credit and risk profile in line with institutional investor expectations".[25]

[24] See N. Zelenczuk, Developing the Solar Market in Uruguay: A Case Study, Convergence, IDB Invest and C2F, Toronto, 2022
[25] N. Zelenczuk, Ibid, 2022, p. 15



Source: IDB, C2F, and Zelenczuk, 2022

Figure 12: A/B bond loan structure

Table 8: La Jacinta A/B bond

La Jacinta A / B Bond				
Source	**Amount** ($, millions)	**% of financing**	**Initial C2F Price Concessionality** (Discount)	**Tenor**
IDB Invest A loan	7.2	10	–	25-year
B bond	IDB – 3.1 Bondholder – 58.6	90	–	25-year
C2F loan (original)	23.98 remaining	-	amended to +50bps	amended to 22yr
Total Project Cost	**$68.9 M**			

Source: IDB, C2F, and Zelenczuk, 2022

9. Other issues

In addition to the findings summarized here, there are other issues that deserve the attention of the managers of Canada's climate finance portfolio as they work to advance gender equality while mitigating climate change. Here are six**:**

ISSUE 1: HOW CAN MDB LENDING CAPACITY AT THE CLIMATE-GENDER NEXUS BE INCREASED IN LOW-INCOME COUNTRIES?

The parties to Canada's climate finance URCs—GAC and its MDB and multilateral fund partners as well as Canada's Finance Department and Treasury Board—currently must adhere to the strict lending guidelines of the multilateral banks, which, among other things, generally privilege middle-income over low-income economies, in part as a risk-management measure to ensure that MDBs maintain their AAA credit ratings.

However, in 2022, the Indonesian Presidency of the G-20 released a report by an eminent panel entitled Boosting MDBs' Investment Capacity[26]and making the case that the shareholders of multilateral development banks have the opportunity, and the governance power, to reform the capital adequacy frameworks and risk appetites of MDBs in a coordinated way that addresses internal and statutory requirements as well as ratings-agency scrutiny. This reform effort "could add several hundreds of billions of dollars in additional portfolio room in the MDBs included in this Review over the medium term depending on the depth and scale of implementation, while posing minimal additional risk to their financial stability. The risks of inaction are far greater."[27] From the perspective of advancing gender rights in Canada's climate finance portfolio, it is in the interests of Canada to support this reform process. Millions of women, especially in low-income countries, would benefit from MDBs' consequent increased lending capacity.

ISSUE 2: CAN URC REFLOWS BE CAPTURED FOR REVOLVING USE?

Another constraint on the use of Canadian finance for gender-significant climate mitigation and adaptation is central-agency requirements that all reflows from loan repayments be routed through the MDB back to GAC and then into the Canadian treasury, thus not being available to the MDB as revolving funds that could be used for additional climate projects and sub-loans. Part of the rationale for this practice is that revolving reflows for new concessionary loans would, in effect, put Canadian taxpayer funds at risk potentially multiple times. At the same time, however, if issues of prudence and stewardship could be addressed, Canadian taxpayer funds could be deployed multiple times to generate successive waves of important *development results* on climate and gender. Finding a way to balance these factors and interests will take some work, but is not impossible.

ISSUE 3: WHAT SUPPLY-CHAIN ISSUES ARE LURKING IN YOUR PORTFOLIO?

In 2021-2022, the United States International Development Finance Corporation (DFC) decided to pause some US $1B worth of solar investments for a year after finding that polysilicon, an important element in solar panels, was being manufactured in China's Xinjiang province by forced labour. In response, DFC put in place a human rights policy on supply-chains, banned certain suppliers, actively sought solar-panel manufacturers outside China, and found an alternative element, cadmium telluride, that replaces polysilicon in the panel production process.[28] DFC has now resumed its solar investment program. This episode is a signal that Global Affairs Canada must push for supply-chain transparency and accountability in all its URCs with partners and to require the application of international human-rights and labour standards to all procurement processes within its climate finance portfolio.

[26] G20, Boosting MDBs' investing capacity: An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks, published under the 2022 Indonesian Presidency of the G20 with support from the 2021 Italian Presidency of the G20, 2022 link to Report; a new OECD report urges the shareholders of MDBs to reform their governance and incentives systems to mobilize more private capital through blended finance in low income countries; see OECD, Making Private Finance Work for the SDGs, Paris, 2022 PDF; furthermore, in October 2022, the Gates, Open Society and Rockefeller foundations launched a USD 5.25 million challenge fund aligned with the G20 report to provide grants to unlock more MDG funding, faster, for the SDGs
[27] G20, Ibid, 2022, p. 51
[28] See A. Saldinger, DFC faces China forced-labor challenges with solar investments, Devex, May 17, 2022 Link

ISSUE 4: CAN CLIMATE URCS BE NEGOTIATED WITH MAJOR NGOS?

The general answer here is yes. A select number of major NGOs with solid track records of financial management and development results could manage 10- to 15-year URCs in the range of $30 - $50M, especially those with strong links to a financial-services or investment group. Examples here include BRAC (which, as well as being the world's largest NGO, also operates its own bank and online payments business) in Bangladesh and Pro Mujer, which operates across Latin America. Canadian NGOs that could be considered are MEDA, which works closely with investment firm Sarona; the Desjardins Group and its non-profit international-development arm; and WUSC, a strong implementation partner with impact investing experience. Among their advantages, NGOs work closer to the ground, prioritize development results, and usually carry moderate overheads. Their main disadvantage, although it is very unlikely, is that these organizations could fail. One question for GAC is what the Department of Finance and Treasury Board would need to be comfortable with these partners as URC implementers. Another, different question relates to the extent to which social banks like the Dutch Triodos Bank, larger B (Benefit) corporations, or major philanthropies, such as the Mastercard Foundation in Africa, could also play this role. Here too the answer is yes; they could indeed play such a role, with prudence and effectiveness.

ISSUE 5: HOW COULD NGOS AND CSOS USE GRANTS TO EXPAND AND DEEPEN GENDER-TRANSFORMATIVE CHANGE IN THE CLIMATE FINANCE SPACE?

Women's rights and development NGOs and civil society organizations (CSOs) could use grants to push all actors to expand and deepen gender transformative change at the national, institutional, fund and project/sub-project, district, and community levels in Canada's climate finance portfolio. These organizations are knowledgeable about gender transformative change in the contexts in which they operate, have strong advocacy and capacity-development skills, and are often experienced in grant and project management. However, some women's rights and development NGOs and CSOs may not have strong capacities in finance or investment or may in fact be generally opposed to large-scale infrastructure projects in their regions. It is also interesting to consider the potential roles that Southern think tanks, or social-impact or gender-studies units in Southern universities, could play in grant-based programming to accelerate and scale GTC in climate finance

ISSUE 6: HOW AND WHEN WILL THE CONCEPT OF GENDER IN CLIMATE FINANCE EXPAND TO INCLUDE GENDER IDENTITY?

As a recent journal article has reported: "The evidence is clear and building that businesses perform better when employees represent diverse experiences and feel safe and included, which surely extends to a full range of gender identities and sexualities.[29]" While LGBTQ+ people are still criminalized in many countries in Africa, the Caribbean and elsewhere, diverse gender identities have been decriminalized in 24 of 33 Latin American nations, including constitutional or statutory protections against discrimination in 11 countries.[30] Although opponents of the LGBTQ+ movement are organizing backlashes against these trends, it is likely that gender-identity freedoms will expand and deepen worldwide over the next 25 years. How will Canada's climate finance portfolio respond?

[29] T. Subramanian, A. Muirow and J. Anderson, Evolving the gender analysis in gender lens investing: moving from counting women to valuing gendered experience, Journal of Sustainable Finance and Investment, 12(3), 2022, 684-703

[30] G. Farrell, The State of LGBTQ+ Rights in Latin America, Wilson Center, Washington, D.C., 2021

10. Recommendations

10.1. Principles and directions

Achieving Canada's ambition for gender equality in climate finance will not be simple or easy. Above all, to succeed, this journey must be *purposeful*. And it must be *sustained* over a long period of time. The findings of this assessment suggest that those leading this journey should adhere to a set of guiding principles. As Box 1 shows, at the heart of these principles are actionable evidence, continuous improvement, local knowledge, and the acceleration of significant gender results. Further, the *directions* of this journey should be defined by deeper and expanded gender integration and gender transformative change, increased investment in low-income countries, accelerated capital deployment, and greater use of alliances to spur significant change across all segments of the investment chain (see Box 2).

Box 1: Principles for the journey ahead

Principles
• Building and utilizing actionable evidence • Ensuring continuous improvement • Privileging local knowledge and champions • Accelerating significant gender results • Valuing both outputs and outcomes • Intervening at all key points of influence, all the time • Asserting and sustaining Canadian leadership in the global public sphere

Box 2: Directions forward

Directions
• Toward 80% *gender integration* in the portfolio • Toward 20% gender transformative change • From lower middle-income to low-income countries • From front-end innovations to verifiable downstream impacts among key stakeholders on the ground • From moderate to accelerated pacing of capital deployment • From distance from local stakeholders to proximity and direct exchanges • From single-actor influence to leverage through broad-based alliances and communities of practice • From engagement with public institutions to private companies and institutional investors • From informal to formal capacity development

10.2. Recommendations

Considering the findings reported here, it is recommended that Canada's Climate Finance Division and its allies in Global Affairs Canada and partner lending agencies take ten action steps to accelerate, deepen and expand significant gender change in Canada's climate finance portfolio.

RECOMMENDATION 1: DEVELOP A ROADMAP TO 80%

The problem: There is no detailed plan for GAC to achieve the target of 80% gender-responsive investments as it increases the climate finance portfolio, through grants and repayable contributions, to CAD 5.3B by 2026. And there is no plan to achieve even more robust results through gender transformative change for the most vulnerable and targeted groups and individuals.

Recommended action: Climate Finance Division should commission an internal team to develop a comprehensive, actionable roadmap, with methods and targets, to achieve the 80% target while also reaching the CAD 5.3B goal by 2026. The roadmap should also include a path for achieving, over time, 20% of projects in the portfolio classified as gender transformative. It may take ten to 15 years to realize this latter goal.

RECOMMENDATION 2: DEPLOY ALL THE LEVERS ALL THE TIME

The problem: While there is considerable gender innovation in Canada's climate finance portfolio, the results achieved are not sufficiently deep or wide and their pacing is too slow.

Recommendation action: Climate Finance Division should brief, train and require of team leaders and gender specialists managing the URCs—working with partner-agency investment teams and gender experts, as well as Canada's ambassadors and executive directors to multilateral development banks and multilateral funds—to deploy all the levers at their disposal to accelerate, deepen and expand gender change. This should include multi-level engagement with women's organizations, households, borrowing companies, and lending institutions at all points on the investment chain.

RECOMMENDATION 3: EXPAND THE USE OF GENDER PERFORMANCE INCENTIVES

The problem: Through the efforts of C2F and IDB Invest, much is known about how to structure, monitor and execute gender performance incentives that can drive company policies and practices in hiring and human resources, particularly (but not only) in the construction stages of major projects. However, this approach has not yet been adopted by other MDBs or MFs.

Recommended action: Climate Finance Division, working with C2F and IDB Invest, should offer a series of webinars on the methods for building gender performance incentives into project loans and for monitoring and verifying the achievements of targets linked to lower interest-rate and other material incentives. This webinar series should be aimed at the investment teams and gender specialists in other partner agencies operating in Asia, Africa and elsewhere.

RECOMMENDATION 4: ANIMATE INTER-COMPANY LEARNING AND SPREAD INNOVATION

The problem: Innovation by borrowing companies generally remain at the project or sub-loan level and are rarely shared within let alone across institutions. This fragmentation, or isolation, of innovation constrains the possibility of scaling and replication for more significant gender results.

***Recommended action*:** Working with its partner institutions, and selected companies that have demonstrated commitment to and innovation in gender equality in climate projects, Climate Finance Division should organize a series of workshops in which company leaders and specialists present their policies, practices, and performance for greater gender equality in climate mitigation and adaptation. Such workshops could spark a systematization and broader mobilization of the knowledge generated by these experiences. Two promising sectors to start with in this regard are solar energy and financial services.

RECOMMENDATION 5: SUPPORT TECHNICAL ASSISTANCE GRANTS AT MULTIPLE LEVELS

The problem: With some important exceptions, most projects in Canada's climate finance portfolio do not have access to grant funds for technical assistance or training that would advance gender equality results significantly. Consequently, such results too often remain limited to relatively small numbers of stakeholders within a given project or sub-loan.

Recommended action: The Climate Finance Division should provide grant funds to its partner agencies at both the project and institution-wide (or meso) levels to accelerate, deepen and expand gender results in climate initiatives. At the meso level, the Division should consider providing funds for new TA mechanisms designed by CIF, IFAD, and GuarantCo. The Division should also allocate funds to engaging its own monitors to assess the progress and performance of these and other meso-level TA mechanisms.

RECOMMENDTION 6: COMMISSION INDEPENDENT MONITORING OF RESULTS ON THE GROUND

The problem: There is too much distance, and a lack of visibility, between GAC managers and specialists, on the one hand, and the results on the ground for companies and communities, on the other. While there is regular monitoring of projects and sub-loans by implementing partner agencies, GAC personnel only see fragments of what is being accomplished and usually with considerable time lag. For a large and important pool of capital like the climate finance portfolio, this is not optimum.

Recommended action: Climate Finance Division should develop and execute a call for proposals for five-year contracts with independent monitors of the projects and sub-loans of the implementing partners. The ideal composition of proponent teams would involve partnerships of Canadian and local consultants with high-quality expertise in finance and investment, climate and gender and proven capacity to work effectively at multiple levels in developing countries. These monitors would advise GAC and provide feedback and advice to GAC, its implementing partners, companies, and communities.

RECOMMENDATION 7: INCREASE THE MOBILIZATION OF PRIVATE INVESTMENT

The problem: Across Canada's climate finance portfolio, as well as in the global fields of blended finance, impact investing and gender lens investing, the velocity and quantum of private investment is still slow and modest. At the same time, the portfolio has examples of projects and sub-loans that have demonstrated viable strategies for mobilizing private capital, including de-risking, co-investing, and corporate bond issuance.

Recommended action: In addition to the preparation of accessible case studies and guidance notes on this subject, the Climate Finance Division should train its managers and analysts in these strategies, particularly in structuring overall loans to MDBs and MFs and in designing and executing their projects or sub-loans. The Division should track and highlight the private capital leveraged across institutions and over time.

RECOMMENDATION 8: CREATE THE "UNIVERSITY OF GENDER AND CLIMATE FINANCE"

The problem: The URC-linked long-term loans that form the basis of the GAC climate finance portfolio stretch out in time through 2050. Even the smaller URCs support loans with tenors of 15 years. This poses a real challenge in terms of sustaining corporate knowledge stewardship and transfer of the agenda of learning and continuous improvement to ever more significant gender change in the portfolio. There is a need, therefore, to formalize and systematize the knowledge building and transfer functions within GAC and to incentivize successive cohorts of GAC personnel and partner specialists working on the portfolio. Moreover, to incentivize personnel to participate in this effort, those who complete the program should receive formal credit toward their degree-program studies.

Recommended action: Conceptually, and strategically, Climate Finance Division should work with other GAC units to plan and operationalize the "university of gender and climate finance." That is, the Division should catalyze an effort to develop a virtual executive development program, with on-ramps to certification and to graduate studies. This virtual "university" could partner with several actual universities in various parts of the world to provide, under conditions to be negotiated, the imprimatur of bona fide higher education institutions. Participants completing the program would receive accredited certificates or diplomas that would count toward their graduate degree studies. This virtual initiative would provide a vehicle through which GAC could, effectively and efficiently, create, transfer, and renew relevant knowledge across multiple cohorts of personnel over the next 25 years.

RECOMMENDATION 9: SHARE KNOWLEDGE LEADERSHIP WITH ALLIES

The problem: Canada is a world leader in understanding and promoting gender equality in climate finance. However, globally, with a few exceptions, Global Affairs Canada is not prominent as a thought- or action leader in this space.

Recommended action: Working with its allies among other countries, and with sister units within the Department, Climate Finance Division should affirm and project its leadership in this area through academic and professional networks, mainstream and social media, and multilateral platforms such as the G7, G20, OECD, Gender Smart/2X Challenge, United Nations, the COP series of climate conferences, and other venues.

RECOMMENDATION 10: COMMUNICATE WITH CANADIANS

The problem: Most Canadians are not aware of the portfolio and do not use the technocratic language of international affairs and development. Moreover, over the next 25 years, there will be at least eight federal elections and rotations of government in Canada, and some of those governments may not value the portfolio or the gender-climate agenda highly. Canadians already hold a range of views on climate change and climate science.

Recommended action: Climate Finance Division should design and continually adjust a permanent communications campaign to tell Canadians about the innovations and results on climate mitigation and gender equality in its climate finance portfolio. It is likely that Canadian citizens and politicians will be most interested in the extent to which projects and sub-loans support local women through greater access to affordable services such as electricity, water, and transport, as well as entrepreneurial, employment and training opportunities, and how these and other benefits strengthen the well-being of their households.

Finally, Annex D presents one schema for sequencing a larger number of actions over time. With this portfolio of long-term loans, the temporal dimension of future actions deserves careful consideration by the Climate Finance Division.

11. Conclusion

Canada has committed to an ambitious plan to increase the gender responsiveness of all its climate investments while at the same time, using a mix of grants and repayable contributions, growing the size of its climate finance portfolio to CAD 5.3B by 2026. Beyond this target, it seeks to increase the percentage of its climate projects that are gender transformative, advancing feminist climate action for the poorest and most vulnerable in developing countries. The prime instrument used to construct this portfolio continues to be the unconditionally repayable contribution, which has financed long-term loans to partner MDBs and multilateral funds, most with tenors of 25 years. In this sense, climate finance is a long game, but it must respond more effectively and faster, in shorter time cycles, to the climate emergency facing the world every day.

This assessment has confirmed that Canada's journey toward a larger, more gender-responsive climate finance portfolio is well underway. However, to truly succeed—to reach the ultimate destination Canada has set for itself—Canada's Climate Finance Division along with its peers and allies inside and outside Global Affairs Canada must take control of this process very purposefully to scale significant gender change at all levels: for women's organizations, communities, and households; for borrowing companies; and for lending institutions. This group of advocates must learn to use all the levers of influence at their disposal, all the time. And they must find effective ways of renewing and transferring the knowledge essential for success across multiple generations of GAC and partner personnel over the next quarter-century and beyond. It will be demanding work, but it will be a journey supremely worth taking.

As her drone inspects the farm's massive bank of solar panels, Dewi scans the data pouring into her screen, her app automatically identifying flawed or underperforming solar cells or hot spots that could short-circuit the panels and reduce power flowing into the grid. After a few minutes, she forwards her analytics to the AI specialist in the control room at company headquarters, who in turn issues work orders to the maintenance team on the ground. Dewi now directs her drone to move on to assess another major installation 20 kilometres away. Since receiving her drone-pilot's licence last year, Dewi looks forward to inspection days. She likes solving problems.

"When I get older, I want to be a software engineer," **says *Nur.***

Nodding her approval, Annisa says: "And I want to be a maintenance-drone pilot."

Below in a nearby village, two 12-year-old girls, Nur and Annisa, walk to school and spot the drone flying overhead. "I think that's used by the power company to keep the electricity flowing," says Nur. "Not only that," says Annisa, "my Aunt Dewi drives it!" As they continue walking, they talk about the difference the solar farm has made to their village. For one thing, since the school can now stay open in the evenings, both their mothers have joined adult-education courses, and the girls can finish their homework and enjoy their favourite crafts. For another, more local businesses and even the town council have shifted over to using more computerized systems, so transactions are faster, more efficient. "When I get older, I want to be a software engineer," say Nur. Nodding her approval, Annisa says: "And I want to be a maintenance-drone pilot."[31]

[31] This too is a fictitious scenario; the focus on the interests of young women here is intended to signal that green infrastructure operations like solar farms are permanent enterprises whose human resources need to be continuously renewed over multiple generations and thus provide ongoing opportunities for women to take on new professional and technical roles

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Annex A: Definitions of terms

Gender Transformative change: In defining gender transformative change, we use a feminist approach as outlined in the FIAP. This involves addressing the root causes of gender inequalities including transforming power relations, discriminatory social norms, laws, and practices, ensuring governance structures and processes are inclusive and participatory, and seeking the views and leadership of the most affected by climate change.

Blended Finance: The OECD-DAC defines blended finance as the strategic use of development finance for the mobilization of additional finance towards a sustainable development in developing countries. Canada's Climate Finance Program uses Unconditionally Repayable Contributions to provide concessional loans to institutions that will then mobilize additional funds.

Unconditionally Repayable Contributions (URCs): Unconditionally Repayable Contributions (URCs) are an innovative finance instrument akin to concessional loans. URCs are contributions that must be repaid according to specific terms negotiated with the partner and are used to incentivize much-needed private sector investments in low-carbon activities, primarily in middle-income and lower-middle-income countries.

Conditionally Repayable Contributions (CRCs): Conditionally Repayable Contributions (CRCs) are also a blended finance tool. All or part of these contributions are repayable, only when conditions specified in the financial instrument (e.g., contribution agreement) come into effect. CRCs can accommodate greater financial risks than URCs to encourage additional private investment towards the sustainable development goals.

Technical Assistance: Technical assistance is given in the form of a grant to a partner that also received a URC. Usually, such additional funds are given in order to enhance the gender outcomes and bankability of a project.

Performance-based incentives: One partner has created and piloted a performance-based incentive program to encourage its private sector clients to integrate gender equality into its operations. The partner received URCs, and no grants were provided. More precisely, the Canadian Climate Fund for the Private Sector in the Americas (phases I and II) with the Inter-American Development (IDB) Group worked with the private sector to integrate gender-specific outcomes. These outcomes could range from providing employment opportunities for women in STEM fields (where women are traditionally under-represented), or signing on to the UN's Women Empowerment Principles, or receiving certification of compliance with government standards on workplace equality. Once certain agreed-upon milestones had been reached, the private sector company could apply for a discount on the interest rate of its loan.

Source: Quoted from the Statement of Work for this assignment, Global Affairs Canada, 2022

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Annex D: Sequencing future action

Canada's journey of increasing gender change in climate finance will be long—at least 25 years, the length of a generation. It is important, then, that the cohort on this journey be composed of multiple generations of managers and specialists, from younger, early-career stage officers and analysts to senior managers in the middle of their careers to older, pre-retirement directors with long experience. And, as the journey proceeds, not only does one generation need to transfer vital knowledge and lessons to the next, participants from all age-groups must continuously upgrade their skills and adapt their methods as the fields of practice of gender equality and climate finance evolve, pose new challenges, and present unexpected opportunities.

Furthermore, specific actions along this journey should be taken at particular moments in time to optimize the prospects of success at all levels, from households and local women's organizations, to businesses, to institutional lenders and investors, even to development policy. Figure D1 suggests that 20 recommended actions aimed at accelerating and scaling significant gender results in climate finance be sequenced in three phases. This set of actions is deeply learning oriented, in part because the forces opposing environmental sustainability and gender equality are themselves creative and adaptive in pursuing their interests—and in some cases, like the hydrocarbon industry or patriarchy more generally, they are also well-resourced.

In the schema presented here, the first phase (the next 18-24 months) of actions would focus on preparing a comprehensive roadmap for the climate-gender journey, engaging monitors, convening regional meeting of key stakeholders, upskilling staff and senior representatives to the MDBs and MFs, and solidifying Board-level alliances to enable GAC's climate finance team to use all the levers of influence at its disposal. The second phase (the next three to nine years, through 2030) would prioritize accelerating the deployment of capital to scale and multiply climate and gender results, convening innovative companies for knowledge exchange, and ramping up TA grant-making at the meso- and project levels. Finally, the third phase (the next 10 to 25 years) would enable inter-generational knowledge transfer, accredited professional education, and ongoing performance-metrics tracking, especially for the mobilization of private investment.

Next 12-24 Months

1) Construct a **Roadmap** to 80% gender integrated, 20% gender transformative
2) Lever all **points of influence** all the time
3) Issue an RFP for five-year **gender/climate monitoring** contracts
4) Provide funds to PTLs /GS for project **site visits**
5) Build internal capacity through **webinar series**, real-time project cases
6) Convene **regional meetings** of local champions: investment professionals, CSOs, scientists, policy makers
7) Convene and support **new CoP** of partner-agency specialists
8) Brief /train MDB/IFI **EDs/Ambassadors and High Commissioners**
9) Require and track **personal learning and action plans**

Next 3-9 Years to 2030

10) Strengthen alliances for **Board advocacy** across partner agencies
11) Advocate/incentivize accelerating the pace **of capital deployment in low-income countries**
12) Organize **portfolio-wide review meetings** on progress, challenges, solutions
13) **Convene innovative companies** to share, improve, attract capital
14) Support **product-creation** and -rollout for institutional investments, particularly corporate bond issuances
15) Provide TA grants to **meso-level mechanisms** and to projects
16) Assert Canadian **thought and action leadership** via G7, OECD, 2X Collaborative, UN agencies

Next 10-25 Years

17) Convene regular knowledge building **conferences** with partners
18) Steward **intergenerational knowledge transfer**
19) Establish the **"university of gender/climate outcomes"** for permanent, accredited education
20) Track and report on gender, development and sustainability **outputs and outcome**s
21) Track and report on **leverage on private investment**

Figure D1: Three phases of recommended action

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