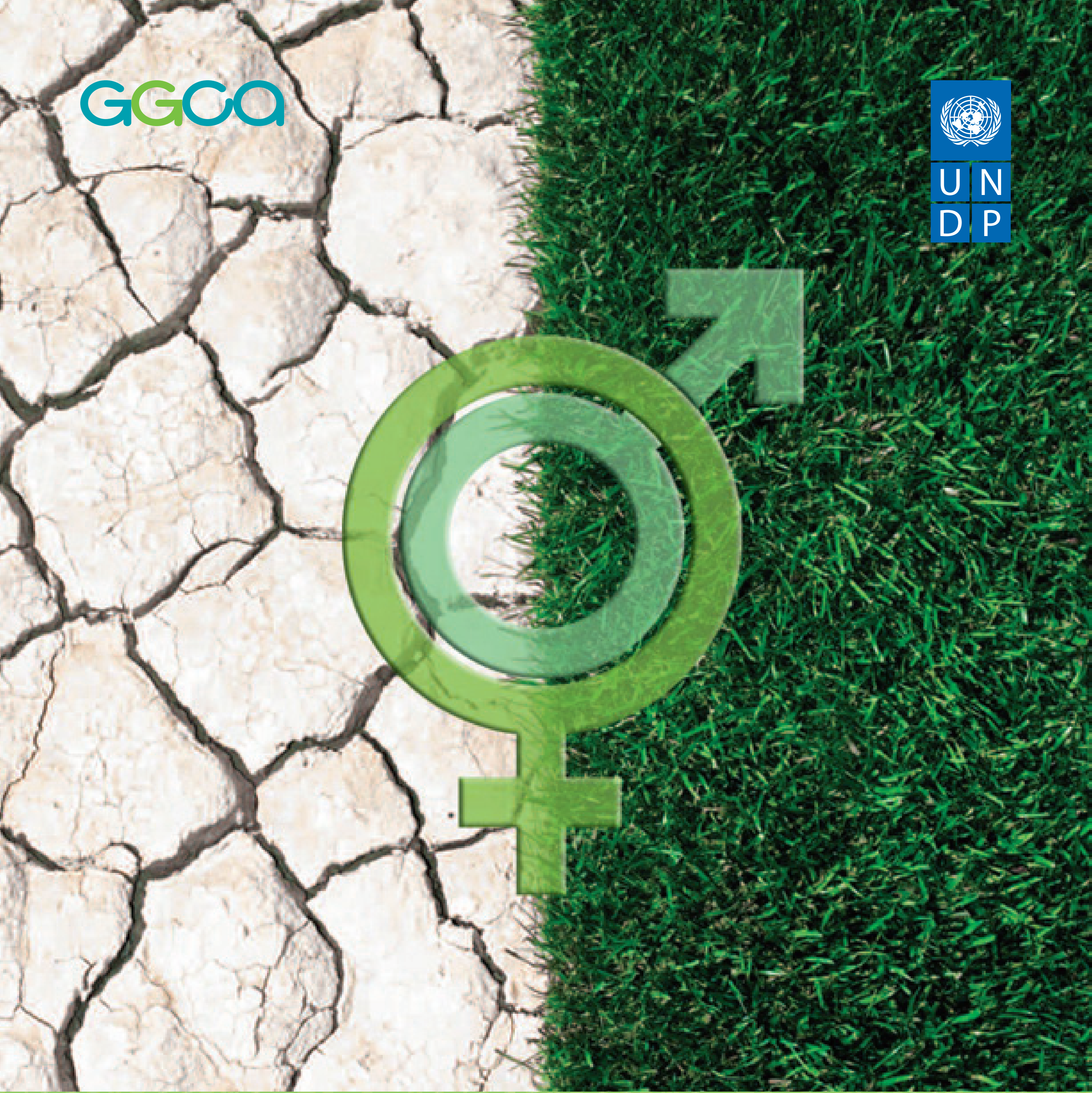

Ensuring gender equity in climate change financing

DRAFT OVERVIEW

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This draft provides an advance overview of a major publication, 'Ensuring Gender Equity in Climate Change Financing,' due to be released in 2010.

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Overview

Climate change and gender: an introduction

The long-term rise in the average temperature of the earth's surface is one of the most serious issues confronting humanity. This shift in the state of the climate and the resulting climate variability (e.g., variations in precipitation and temperature) will have dramatic effects on the frequency and severity of weather events and significant implications for water resources, agriculture and food production, and human health and settlements. These impacts, along with the global community's mitigation and adaptation efforts, will have substantial economic implications.

Some effects are already evident. For example, the Intergovernmental Panel on Climate Change's Fourth Assessment Report (2007) highlights linkages among floods, heat, infectious diseases and the toxic contamination of water. Furthermore, there is ample evidence that storm surges have caused severe injuries

There is a significant gap in the overall climate change effort: it does not adequately consider the differential impacts on and contributions of women and men.

and deaths, and that more severe and frequent droughts will cause water scarcity, salinization of agricultural lands and crop destruction, contributing to nutritional deficiencies and food insecurity.

The global community is taking steps to address climate change, with activities falling on a spectrum from mitigation (lowering greenhouse gas emissions in order to temper the severity of climate change) to adaptation (making social and infrastructural changes in order to cope with the effects of climate change). To facilitate these efforts, technology transfer and financing play key roles. There is, however, a significant gap in the overall effort: it does not adequately consider the differential impacts on and contributions of women and men.

Impacts of global climate change will be felt most acutely by those least able to adapt. In general, poor women and men in the developing world lack the resources and opportunities to cope with the often-devastating results of climate change, from large-scale catastrophic weather events to less immediate but similarly significant shifts in regional temperatures or rainfall. While all members of society will be impacted by climate change, women are likely to be disproportionately impacted because of their historic disadvantages and high involvement in and dependence on sectors that are expected to experience the most intense climate change impacts (e.g., water and agriculture). However, this does not make women victims alone; rather, these roles have provided women with traditional knowledge that can be used to identify effective adaptation and mitigation strategies.

To draw attention to the importance of these issues, this brief overview addresses how the lack of a gender dimension impedes currently available climate change financing mechanisms, describes such mechanisms as they exist now and discusses how incorporating gender concerns into these mechanisms' governance frameworks would lead to improvements in project efficiency, effectiveness and the resulting stakeholder benefits.

LACK OF A GENDER PERSPECTIVE: AN OPPORTUNITY MISSED

Baseline analyses of climate change effects and risks rarely incorporate a gender dimension. Consequently, mechanisms devoted to mitigation and adaptation efforts rarely integrate gender concerns into their design, implementation or related decision-making activities, including those related to funding. This oversight has important implications, particularly for poor women who require economic assistance in order to engage in adaptive and mitigative activities.

For example, many women in developing countries are dependent on agriculture — particularly subsistence agriculture — and other activities in which livelihoods are inextricably tied to stable environmental conditions. Mild decreases in rainfall, rapid changes in average regional temperature or new pest vectors can have devastating effects on crop yields and the women that depend on them.

Similarly, women are the primary actors in the household sector, with responsibilities spanning from gathering fuelwood for cooking and heating to caring for children and the elderly. Though essential, these services have opportunity costs, preventing women from engaging in activities that would improve their socio-economic status, such as acquiring an education or entering the workforce. As climate change impacts take effect, household responsibilities will become increasingly more burdensome, exacting a higher physical toll and demanding increased time. For example, women that have to travel further distances for water will face increased exhaustion, higher risk of assault or injury, and less time for other activities.

Women are also more likely then men to be dependent on government services (e.g., subsidized daycare, family nutrition assistance). In times of crisis — whether through causes such as the current financial crisis, future extreme weather events or major shifts in the regional environment — social services are an early area of government fiscal reduction. These reductions will exacerbate women's already precarious situation, reducing their access to services at a time when they are least able to cope on their own.

Gender gaps in income and access to social or economic resources adversely impact women's ability to command resources or to secure durable and climate-resilient residences. Meeting the challenges of hazard management, disaster preparedness and climate change-induced weather events typically requires more resources than the average household has available. In addition to income for daily living, unmet resource needs include permanent or more robust housing, better and stronger water storage units, investments in energy-efficient technologies and improvements to businesses' and farming activities' climate resilience. Increasingly, sources of income that could finance such needs are being constrained and compromised by chronic and intensifying instability and crises in the global food, fuel, financial and labour markets, decreasing women's ability to adapt to and mitigate climate change without outside assistance.

Despite the gender-differentiated impacts of climate change, the current climate change financing regime largely ignores gender by failing to incorporate it into operational frameworks, whether in setting direction, determining funding priorities, or evaluating project or programme outcomes.

Climate change regime

Mitigation and adaptation currently form the centrepieces of the global response to climate change. In the mitigation sphere, the overall objective of reducing greenhouse gas emissions as quickly and efficiently as possible means that projects tend to operate at large scales and focus on high volume opportunities. Unfortunately, the benefits of large-scale projects, such as retrofitting power generation facilities, generally fall on poor women and men only indirectly. On the other hand, mitigation activities that subsidize household- or community-level solar power generation, the replacement of inefficient cooking stoves or forest preservation can have significant impacts on poor women and men.

Adaptation activities' focus on coping with the effects of climate change often has a more direct impact on local populations. For example, infrastructure improvements such as climate-proofing homes, installing early warning systems and building catchment tanks for rainwater will have immediate and positive consequences for entire communities.

Unfortunately, when climate change adaptation and mitigation mechanisms do consider vulnerable groups, such as women and the indigenous poor, they are normally seen only as beneficiaries of interventions, and their potential to positively contribute to climate change-related activities is often overlooked. However, such potential exists at all stages of project design and implementation, as well as at the management level. For example, there is tremendous scope for developing the wealth of knowledge with regard to agriculture, land conservation and coastal preservation that resides with local residents, particularly among women, indigenous groups and farmers.

The failure to incorporate a gender perspective and integrate women's knowledge of traditional practices and contemporary experiences into climate change initiatives results in two significant missed opportunities. First, by failing to incorporate gender, the resulting projects, programmes and funding decisions tend to perpetuate existing gender biases, often leaving women at a disadvantage instead of empowering them. Second, by not seeking out women's input and advice during the design of programmes, these approaches neglect substantial opportunities to improve their structural frameworks, operating efficiencies and ultimate results.

CLIMATE CHANGE FINANCING MECHANISMS

The climate change regime is made up of market-based and fund-based mechanisms, as well as bilateral and national initiatives, with substantial crossover between them all. While none of these mechanisms fully mainstream gender into their operational frameworks, each has both advantages and disadvantages for poor women and men.

Market-based mechanisms. Market approaches to reducing or avoiding carbon emissions (or sequestering carbon that is already in the atmosphere) are generally either compliance- or voluntary- based. The compliance market is populated by entities with emissions reduction commitments, entering the carbon market seeking to meet these commitments in part by trading emissions credits or sponsoring emissions reduction projects. In the voluntary market, actors with no legal requirements to reduce emissions — e.g., governments, corporations, groups or individuals — nonetheless choose to sponsor some form of emissions reduction.

Both approaches generate substantial financial flows from investors, project sponsors and buyers and sellers of carbon reductions. However, because gender concerns have not been integrated into the mechanisms created to facilitate emissions trading, the mechanisms have perpetuated the gender biases of the male-dominated financial system.

By allowing countries to take advantage of different costs to reduce emissions, emission trading achieves reductions for the lowest cost possible. For example, if two companies face different costs to reduce their emissions, than the company with the lower cost can reduce by an additional amount and sell its excess reductions. Though one company is still emitting the same amount of greenhouse gas, the net amount of global emissions reductions is the same. Because greenhouse gases are equally mixed in the atmosphere, the positive effects of reduction are not location-specific.

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In addition to bilateral transactions between two parties, entities can reduce or prevent carbon emissions without first securing a buyer for the reductions. If the reductions achieved through these projects are demonstratively additional to baseline emissions and would not have otherwise taken place, the project is granted carbon credits in proportion to the amount of emissions reduced. The carbon credits, representing a verified and set quantity of reduction, can then be sold on an open market — making emissions reductions a fungible good.

By capitalizing on economic efficiency, market mechanisms attract substantial financial flows. However, these resources have thus far provided little direct benefit to women. Even the Clean Development Mechanism (CDM), which has the dual objective of reducing emissions and promoting sustainable development, has not fully incorporated gender into its operational framework or secured clearly observable benefits for women.

Though part of the UNFCCC, CDM projects are largely driven by private actors (e.g., project proponents, investors) whose overarching focus is to secure the maximum financial yield from a project; the result is a clear preference for economic efficiency over development equity. As development results are not monetized, there is little incentive to maximize potential impacts on sustainable development.

In addition, the types of initiatives that tend to attract investment are generally large-scale industrial initiatives and other projects in which women are minority participants. Due to these scale issues, sectors in which women are more prevalent (e.g., cottage industries, small-scale agriculture farmers and small businesses) are often overlooked within the CDM. For example, financing is needed for household-sector mitigation activities such as improving the efficiency of cooking stoves, household appliances and lighting. However, the generally small scale of these activities makes them less likely to attract funding through the market.

Lastly, there are sizeable financial, bureaucratic and technical prerequisites, as well as stringent guidelines which must be followed, in order to initiate a CDM project. This tends to put CDM finance beyond the capacity and economic reach of most women in the developing world.

Presently, there are two approaches with potential to increase gender equity within market mechanisms. Both approaches focus on broadening opportunities for smaller scale entities' direct participation. Whereas CDM projects initially focused on individual projects, the newly introduced option to develop Programmes of Activities allows project proponents to aggregate small projects that are relatively spread out over time and location, yet share the same technology and baseline. By being able to aggregate the emissions reductions of many smaller projects, project proponents can find opportunities in sectors in which poor women and men will be able to directly benefit. This allows small operations that could not have afforded to meet the requirements for certification to directly benefit from reducing their carbon emissions.

The benefits of this approach extend beyond monetary gain. By creating an additional income stream, it indirectly benefits women's collectives, groups and communities. Creating networks of small businesses can further empower women by facilitating knowledge-sharing and collective action. The approach also has the potential to bring new technologies to underserved areas and opens opportunities for women to develop innovative methods and technologies for reducing carbon dioxide emissions.

The second approach to broadening the beneficiaries of market-based mechanisms overlaps with carbon finance funds. In partnership with development and private banks, multilateral and non-governmental organizations have created vehicles to provide targeted project development services — including financial assistance, bureaucratic experience and technical expertise. The MDG Carbon Facility, for example, seeks to attract project proponents that have initiatives with strong development benefits in accord with the Millennium Development Goals (MDGs). For example, an energy-related project that would reduce the need for women and young girls to collect firewood for heating and cooking would contribute to meeting MDG 3: Promote gender equality and empower women. Approaches like the Facility's will attract both project proponents that already have MDG-related projects in mind and those that recognize that incorporating gender concerns into a project will help it qualify for assistance.

Project-based emissions reduction credits developed and sold through the voluntary carbon market also show potential for local women and men. Because voluntary reductions do not face the same stringent certification and verification requirements that exist within the compliance market, smaller projects tend to find it easier to secure backing. This has important implications for local women, men and community groups who have projects with strong emissions reduction potential, but cannot meet the rigorous certification requirements or significant up-front costs involved in registering a project through the compliance market.

Fund-based mechanisms. In contrast to market-based mechanisms, which primarily provide finance for mitigation, fund-based mechanisms lean slightly towards supporting adaptation efforts. Further, fund-based mechanisms frequently operate under guidelines that provide greater room to incorporate gender perspectives. When faced with equity/efficiency trade-offs, fund managers may be able to make different decisions than they would under a market-based mechanism concerned primarily with financial viability.

One of the strengths of fund-based mechanisms is their broad flexibility in working towards adaptation or mitigation goals. Some funds, such as the Least Developed Country Fund, provide direct support for countries' adaptation efforts; others have a narrower focus — for example, the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD). However, there is no gender-specific fund, and, similar to market-based mechanisms, none of the existing funds fully integrate gender into their governing and decision-making structures or make gender mainstreaming a criterion for project support.

Fund-based mechanisms are typically limited by their reliance on donor aid. Whereas market mechanisms have built-in incentives to attract financing, fund-based mechanisms are constrained by available resources. The Adaptation Fund demonstrates an innovative approach to this challenge. Established to provide assistance to countries most vulnerable to climate change effects (e.g., low-lying countries, countries subject to drought and desertification), the Adaptation Fund is to be financed by a 2 percent levy on emission reductions credits traded through the CDM.

The Adaptation Fund demonstrates an initial attempt to move from donor-driven and donor-dependant aid to a recipient country-driven paradigm. Host countries, once their national implementing entities are accredited, will have direct access to funds. This is not, however, a complete shift — the host country will only be able to use funds for projects and programmes that have been approved by the Adaptation Fund Board.

Even without explicitly taking gender into account, the Board's decisions may affect poor women's and men's livelihoods. For example, upcoming strategic decisions by the Adaptation Fund Board will determine whether it will support large- or small-scale projects; since men are more likely to benefit from large scale projects (e.g., from increased employment opportunities), while women are more likely to receive direct benefits from small-scale projects, this choice will have clear gender implications.

Similarly, emerging REDD programmes that seek to provide incentives to protect and preserve forests offer both the possibility to promote women's empowerment and the risk of causing unintentional harm. While important given that the forest sector accounts for nearly one-fifth of global emissions, if not properly designed these initiatives risk transferring land traditionally held, cultivated and used by women to entities with competing land-use objectives. This risk is highest when funds operate in areas where women do not have strong property rights.

There is also risk of missed opportunity. Women, often involved in forest management, have indigenous knowledge of their environment. In both market- and fund-based mechanisms, approaches that do not take women's experience and knowledge into account in programme design or implementation will forgo the substantial benefits that such indigenous knowledge could yield: new forest stewards will not have the same familiarity with local conditions or constraints.

National ownership in climate change funding is innovative and is expected to prove generally beneficial, but it also adds new complexity to the issue of integrating gender. On one hand, a local decision-making body is in a better position to take local needs, including those of women, into consideration. On the other hand, local bodies will be more susceptible to unique local challenges — such as the exclusion and marginalization of women that is more prevalent in developing countries — than a board composed of development-oriented professionals.

Though most fund-based mechanisms are multilateral in nature, bilateral funding from donor governments can complement multilateral fund activities. Bilateral funds, which are direct partnerships between donor and recipient countries, typically have a clearer understanding of local constraints and are more likely to be customized to local needs (including gender sensitization). Unlike multilateral funds, however, bilateral funds are vulnerable to donor countries' political cycles. Projects are also likely to be smaller in scale and, because they are frequently one-off implementations, likely to be unable to take advantage of economies of scale.

National governments can also implement a variety of targeted fiscal measures, such as tax incentives, subsidies, public investment and insurance schemes. Governments can create financing opportunities for climate change activities through grants, subsidized credit programmes, concessional financing and co-financing. The gender equity dimension of these tools depends on how they are implemented. For example, a tax incentive may successfully implement an adaptation measure, but the resulting decrease in government revenue may impact government-sponsored gender programmes' budgets. In facing such trade-offs, national governments must determine how to minimize negative gender impacts and, where they are unavoidable, determine whether the net benefits of an activity outweigh the negative impacts.

Importantly, the inclusion of gender-specific criteria in a fund's scope is not necessarily enough to ensure that gender issues are addressed. Established in 2001, the Least Developed Country Fund, one of the oldest climate change funds, offers an apt example of strategy not translating into practice. The Fund focuses on helping countries prepare and implement national adaptation programmes of action (NAPAs), the process in which least developed countries identify and prioritize their urgent and immediate adaptation needs. The creation of NAPAs is meant to be participatory and inclusive of a full range of stakeholders, including women. However, only some NAPAs incorporated gender concerns, while most failed to recognize gender differences in vulnerabilities or adaptive capacity.

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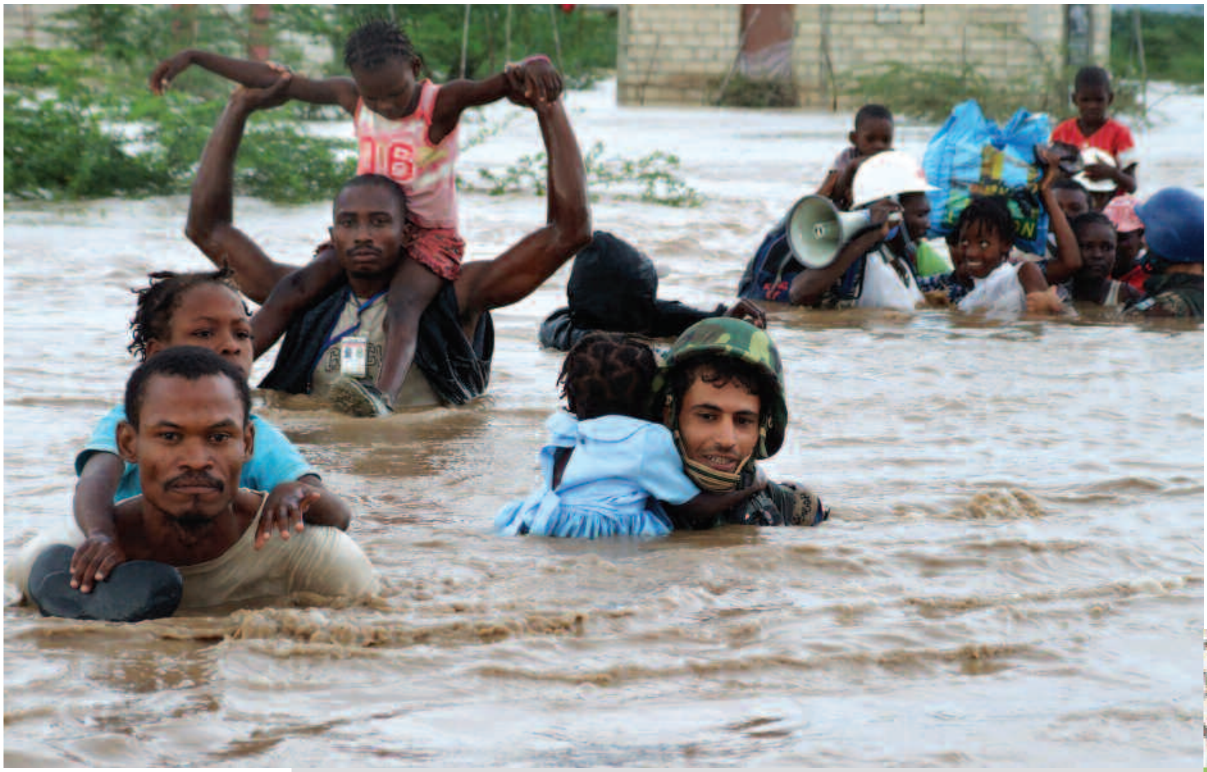
Engendering climate change finance

Despite the prominence of gender mainstreaming in donor and UN agency mandates and in many national development and poverty reduction plans, there has been little effort to integrate a gender perspective into climate change financing. None of the existing financing mechanisms make gender concerns an explicit aspect of project selection or require that funded projects maintain gender awareness before, during or after implementation. Women have a minimal presence on mechanisms' boards, and even when boards have women members the decisions and actions do not systematically incorporate gender concerns. Rather, the climate change regime reflects the broader global finance establishment, where the predominance of male-biased decision-making has lead to systematic patterns of gender segmentation and asymmetries in allocations to the disadvantage of women — poor women in particular.

The missed opportunities from these omissions — for both women and the funds — may have deeper repercussions. Missing out on opportunities for capacity-building and economic empowerment will serve to perpetuate gender roles and imbalances. It will also result in further income disparity, and in some instances, may result in widening gaps. Perhaps most antithetical to the goals of the various mechanisms, failing to take gender into account during programme design or implementation will result in poor women and men, already at a disadvantage, bearing the effects of climate change with little access to much-needed adaptation assistance.

Proactive measures are necessary to ensure that the nature and direction of funding instruments and mechanisms promote gender equality objectives and the economic and social empowerment of women within the context of climate change. Such action should include:



Commissioning appropriate research efforts, including gender audits: Gender audits of climate change financing are needed in order to assess impacts and develop gender-sensitive indicators. Such research will help determine the full scope of existing and needed interventions.

Incorporating gender considerations into national sustainable development criteria: National compliance market oversight bodies should ensure that gender concerns are addressed as part of larger-scope sustainable development plans and programmes. Systematic incorporation of gender-related priorities and indicators in development planning will make it more likely that all projects will be gender-sensitive.

Incorporating gender considerations into national adaptation programmes of action and national communications: National authorities should ensure and foster women's direct involvement in all stages of climate change policy and project planning and implementation. NAPAs, national communications, and other national planning documents related to climate change should explicitly incorporate gender considerations into project prioritization and design.

Ensuring equal gender representation on climate change financing mechanisms' boards and decision-making bodies: Consideration should be given to the gender makeup of climate change financing mechanisms' governing bodies, as well as methods of addressing imbalances (e.g., quotas). Involving poor women's and men's perspectives and considerations at all stages and levels of decision-making will improve not only individual project design, reach and outcomes, but also the efficiency and effectiveness of the financing mechanism itself.

Building poor women's and men's capacities to participate in planning and decision-making: Combined with providing access to and equitable representation on financing mechanisms' governing bodies, capacity-building activities — such as providing information and communications technology training to women or educating the rural poor on the long-term effects of climate change — will maximize the effectiveness of poor women's and men's participation.

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Utilizing gender indicators to track progress towards gender equality in financing mechanisms: Financing vehicles, implementing agencies and host countries should utilize gender-sensitive indicators and tools (such as gender indicators, social and gender analysis, sex-differentiated data-sets, gender monitoring and gender auditing) that allow tracking of progress, or include measurable and verifiable quantitative and qualitative targets that address gender considerations and women's needs and capabilities. Systematic monitoring and evaluation will not only ensure that gender concerns are addressed, but will also allow ongoing projects to more easily adapt to potentially changing circumstances.

Preparing and instituting gender-mainstreaming policies: Climate change financing structures should develop mechanism-specific gender policies. A formalized policy will give mechanism personnel, decision makers, donors and project proponents clear directives, incentives and mandates to systematically incorporate social and gender analysis into every stage of project design, approval, implementation and monitoring.

Expanding project approval criteria to include small-scale projects: Approval processes of mechanisms, implementing bodies and governments should be expanded to account for a historic bias towards larger projects. Decision makers should consider the feasibility of and devise approval processes for aggregating smaller projects — particularly in areas where women have had a long-term presence, such as small-scale farming, natural resource management or the application of nature-based adaptation principles and practices. Addressing issues of project scale will ensure that the benefits of financing mechanisms encompass poor women and men that are most vulnerable to the effects of climate change.

Incorporating traditional knowledge wherever possible: Projects and programmes should endeavour to incorporate local, indigenous, traditional and scientific knowledge and entrepreneurial potential. Assessing and integrating the capabilities of project beneficiaries will inform project design, improve its effectiveness and ensure the relevance of its ultimate outcomes.

Supporting stakeholder consultation processes: Financing mechanisms should incorporate local communities and stakeholders into project design and prioritization processes. In addition to facilitating the transfer of knowledge, stakeholder consultation will ensure local communities' support and ownership

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of projects implemented under a given mechanism.

Promoting women's and men's equal access to resources: As effective socio-economic participation depends upon resources such as land ownership, capital, technical assistance, technology, tools, equipment, markets and time, climate change financing mechanisms should ensure that poor women's and men's participation is not hindered by existing inequalities. Addressing issues of access — or lack thereof — at both mechanism governing and project design levels will ensure that vulnerable groups are not excluded from project participation and will facilitate gender-equitable distribution of resulting benefits.

Considering the gendered implications of property rights: Given the critical importance of land, forests and other natural resources to climate change adaptation and mitigation activities, financing mechanisms should devise strategies to protect women's and indigenous people's access to and control and ownership of such local property. Offering protections will mitigate the risks posed by historically weak and gender-biased property laws.

Streamlining and improving processes for carbon reduction certification: In order to eliminate the disincentive of expensive and complex certification processes, which often act as a barrier to small and medium-size enterprise participation in carbon markets, climate change financing mechanisms should consider methods of streamlining and improving these processes. Facilitating project proponents' applications through improved procedures, capacity-building outreach and expert assistance will broaden the reach of market mechanisms.

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