



# **ALIGNING DEVELOPMENT AND CLIMATE ACTION**



Countries' **current commitments** to **slow climate change** put the world on a path to **global warming** of around...



...**three degrees Celsius** (3°C) by 2100

...which signals **disaster** for **global development**.

Without sound, **climate-informed** development that builds resilience...

...100 million **additional** people

...could be forced into **poverty** as soon as **2030**.

Limiting **global warming** to **1.5°C** compared with **2°C** could expose up to...

...several hundred million **fewer** people

...to **climate-related risks** and **poverty** by **2050**.



To have the chance of **limiting global warming** to...



...**1.5°C** this century

...the world needs to make **massive cuts** to **global greenhouse gas emissions** over the coming decade.



# DEVELOPMENT CO-OPERATION RISKS SUPPORTING UNSUSTAINABLE DEVELOPMENT

**T**he climate crisis is rapidly altering the systems that underpin life on Earth. It multiplies existing threats to development while creating new obstacles, and will influence how countries develop for the rest of this century and beyond. The risks are greatest for the world's poorest and most vulnerable people.

It is now four years since more than 180 countries agreed the 2030 Sustainable Development Agenda and the Paris Agreement. With these historic plans they committed to transform how they develop and address global climate change, providing a clear mandate for development co-operation.

Despite this, efforts have been insufficient. Developed and developing countries alike continue following unsustainable pathways. Global greenhouse gas emissions are still rising. People around the world experience increasingly frequent and severe climate change impacts, from hurricanes and floods to droughts and heatwaves.

Our changing climate demands urgent, concerted and coherent attention. Development co-operation has a central role in helping developing countries make a rapid and systematic move to low-emissions, climate resilient development pathways. And yet, although providers are taking steps to better account for climate change, some of their activities are undercutting effective climate action.

Many development co-operation providers lack the mandates, resources, incentives and strategies they need to support developing countries to address the climate emergency, which threatens all communities, institutions and sectors.

# TODAY'S DECISIONS ABOUT DEVELOPMENT AND CLIMATE CHANGE WILL DETERMINE THE WORLD'S FUTURE

## Time is running out

Unless developed and developing countries work harder together in the coming years to shift to low-emissions, climate-resilient societies, the development gains of past decades could be lost, the 2030 Sustainable Development Agenda will not be achieved, and we will fail in our overarching aim to leave no one behind. The poorest and least developed countries in particular will need continued support.

## Sound climate policy is sound development policy

Ambitious climate action reinforces developing countries' economic growth and development. Conversely, inaction locks them into climate-vulnerable, high-emissions development pathways.



## Development co-operation providers must act now

To fulfil their mandates, development co-operation providers need to support countries to:

- Take advantage of opportunities to mitigate climate change;
- Enhance their resilience; and
- Protect the people and places most at risk, both from the direct impacts of climate change and from the social and economic disruptions that the transition to new development pathways entails.

# ALL DEVELOPMENT CO-OPERATION PROVIDERS NEED TO TAKE ACTION

## DONOR GOVERNMENTS

Set the mandates, raise resources, and define the authorising environment and policy priorities for development co-operation (as owners of bilateral and co-governors and shareholders of multilateral institutions)

### DEVELOPMENT BANKS AND FINANCE INSTITUTIONS

Operate primarily through debt instruments, including as key financiers of “hard” infrastructure

### NON-BANK PROVIDERS OF DEVELOPMENT CO-OPERATION

Deliver largely grant-based development assistance across various sectors and policy areas

### SPECIALISED AGENCIES AND VERTICAL FUNDS

Focus on specific development priorities or challenges

## The Paris Agreement provides a clear path for development co-operation

Adopted in 2015, the Paris Agreement complements the 2030 Agenda (including Sustainable Development Goal 13 on climate action) and has been ratified by 185 countries. Article 2.1 sets three objectives:

1. **Hold the increase in the global average temperature** to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels;
2. **Increase the ability to adapt to the adverse impacts of climate change** and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
3. **Make finance flows consistent with a pathway** towards low greenhouse gas emissions and climate-resilient development.

In line with development principles, the Paris Agreement is country-owned and country-driven: it creates short- and long-term processes for achieving its objectives, namely **Nationally Determined Contributions (NDCs)** and **long-term low-emissions strategies**.

**Development co-operation providers have made progress** in weaving the Paris Agreement's objectives into their plans, processes and practices:

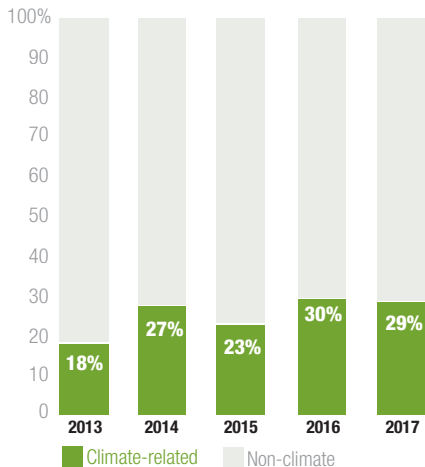
- **Placing climate action at the centre of sustainable development;** for example, through climate mainstreaming and working together on common approaches
- **Using global, science-based goals to inform bottom-up strategies,** policies and practices that ramp up action on climate change mitigation and adaptation
- **Working to align broader financial flows with the Paris Agreement** while continuing to increase volumes of and access to dedicated climate finance

However, supporting an effective transition to low-emissions, climate-resilient societies demands additional effort across the board.

## To fulfil its mandate, development co-operation needs to align with the Paris Agreement's objectives across all activities

### Commitments in current NDCs and long-term strategies are not ambitious enough.

Financial, policy and capacity development support can help developing countries to confront climate change across all sectors and raise their ambitions over time.



**Development co-operation cannot meet development needs if it fails to account for current and future climate risks.** Development finance is still used for activities that undermine sustainable development, and the lack of a strong upwards trend in shares of climate-related finance suggests insufficient action to account for rising climate risks in developing countries.

**As a whole, providers are not yet sufficiently including climate considerations across their portfolios.**

In key sectors – from energy, to agriculture, forestation and land use, to water and sanitation – the share of climate-related development finance showed either limited increases or stagnation over recent years.

Development co-operation must ensure more consistent financing for mitigation and adaptation across sectors.

**Agriculture, forestry and land use** is a prime example. Continued deforestation is increasing global emissions and making many communities and ecosystems more vulnerable to climate impacts, as illustrated by the August 2019 wildfires in the Amazon rainforest. Yet sustainable forest management methods offer solutions – investing in them helps to mitigate and adapt to climate change, improves communities' food and livelihood security, strengthens biodiversity and ecosystem health, and supports sustainable economic growth.



## **DEVELOPMENT CO-OPERATION THAT IS ALIGNED WITH THE PARIS AGREEMENT'S OBJECTIVES:**

**1**

### **Contributes to the transformation**

Activities should not only “do no harm” but contribute positively to the systemic transformation towards low-emission, climate-resilient societies.

**2**

### **Catalyses countries' transitions to low-emissions, climate-resilient pathways**

It should use targeted finance, policy support and capacity development to trigger broad change – especially by influencing other sources of financing, including from the private sector.

**3**

### **Supports the climate action processes under the Paris Agreement**

It should support the formation, improvement and implementation of the Paris Agreement processes (especially NDCs and long-term low-emissions strategies), while helping to integrate them with plans for sectors and overall economic development.

**4**

### **Responds to evidence and opportunities**

It should pro-actively respond to new evidence on climate change and its impacts, and support innovative solutions to help meet development needs across communities and sectors.



# PROVIDERS MUST ACT AT THREE LEVELS...



## **Align at home**

Provide coherent support to developing countries across all areas of foreign policy



## **Align in developing countries**

Support governments to plan for, finance and implement the transition to low-emissions, climate-resilient pathways



## **Align at the system level**

Support consistent international standards and pursue ambitious multilateral action

# ALIGNING DEVELOPMENT CO-OPERATION AT HOME



## What are **KEY CHALLENGES?**

**Development co-operation providers are not yet adequately set up to address the climate emergency.**

In many cases, their institutional mandates, performance systems and capacities do not adequately reflect the importance of climate action for sustainable development. Most providers have not defined what Paris alignment looks like. Climate strategies and mainstreaming approaches have yet to effectively enhance the consistency of development co-operation. Many providers also lack capacity to support transformative climate action in developing countries.

**Incoherence in donor countries' broader international activity hampers climate action through development co-operation.**

Donor countries' foreign policy – of which development co-operation is just one part – comprises different, sometimes incoherent objectives and practices. For example, volumes of export credits reported for non-renewable energy production plants nearly quadrupled between 2010 and 2016, from USD 12 billion to USD 46 billion.



## What are **PRIORITY ACTIONS** for development co-operation providers and donor country governments?



- Establish **stronger institutional mandates** commensurate with the ambition of the Paris Agreement.
- Build up **internal capacity** to deliver those mandates.
- Adopt internal **performance and incentive systems** that encourage staff to promote ambitious, transformative climate action, and **provide tools** to enable staff to contribute to climate action at a greater pace and scale.
- Ensure that **strategies and action plans in relation to the Paris Agreement cover all areas of external action.**



# ALIGNING DEVELOPMENT CO-OPERATION IN DEVELOPING COUNTRIES



## What are **KEY CHALLENGES?**

**Climate action is insufficiently integrated in critical plans and decision making.**

In many countries, processes that are central to decision making on sustainable development do not yet incorporate or reflect the objectives of the Paris Agreement. Initial NDCs were often developed in silos and did not encompass all relevant government portfolios and sectors. Limited capacity in centres of government is a bottleneck to ambitious climate action at all levels.

**Public and private financial systems perpetuate high-emissions, non-climate resilient development.**

From governments and central banks to commercial financial institutions and companies, public and private systems that are responsible for the allocation and intermediation of resources in developing and developed countries alike are still oriented towards high-emitting, high-risk activities that increase vulnerability to climate change. For example, some tax systems still favour fossil fuel-related investments, while financial markets largely fail to account for risks from stranded assets. When supporting these central systems, development co-operation needs to work to connect them with climate risks and objectives.



## What are **PRIORITY ACTIONS** to support in developing countries?

- The **integration of ambitious climate objectives** into national and sub-national development plans and sectoral policies, connected with NDCs and long-term strategies.
- The strengthening of national **climate leadership**, particularly at the centre of government.
- Target the **resourcing of fundamental climate capacity** at the centre of government to help drive and co-ordinate ambitious cross-sectoral action.
- The integration of climate change in **national development financing strategies** for leveraging broader resource flows for sustainable development.
- The inclusion of climate objectives in **national budgeting frameworks and tax systems**.
- The development of effective **green financial systems** for low-emissions, climate-resilient development.



# ALIGNING DEVELOPMENT CO-OPERATION AT THE SYSTEM LEVEL



## What are **KEY CHALLENGES?**



**The international development system does not properly account for climate change.**

Parts of development co-operation have historically conflicted with low-emissions, climate-resilient pathways. While some providers are improving support in these areas, they are still investing significantly in upstream and downstream fossil fuels and failing to account for developing countries' expressed adaptation needs. There are no international standards or established common understanding of which activities are consistent with low-emissions, climate-resilient development.

**Fragmented approaches increase transaction costs and limit the scale of effective climate action.**

The proliferation of actors, policies, approaches and procedures creates high transaction costs and systemic inefficiencies. The resulting fragmentation limits the ability to create data and information standards for effective climate action, standards for funding and financing instruments, and operational and procedural standards for infrastructure projects.

**Systemic barriers keep investment in low-emissions, climate-resilient infrastructure too risky.**

Shallow domestic financial markets expose developing countries to structural constraints and risks. These create major systemic barriers to sustainable investment (for example, currency risks), which need to be tackled in a comprehensive manner.

## What are **PRIORITY ACTIONS** for international collective action?



- **Revise ODA-eligibility criteria to exclude support for new fossil fuel-related activities**, and ensure a basic, common standard against activities that directly conflict with sustainable development.
- Establish **context-specific guidance to development co-operation providers against activities that are incompatible** with the objectives of the Paris Agreement.
- Harmonise **standards and approaches** for climate data to prevent the risk of costly, ineffective measures and maladaptation, and enhance the scope for joint action and impact.
- Promote **harmonised, transparent climate-related official development finance** to catalyse broader flows.
- Standardise **procedures and specifications for low-emissions, climate-resilient infrastructure investment**.
- Establish a strong, action-driven **partnership to achieve systemic de-risking** of infrastructure financing in developing countries that pools the capacities and resources of different providers.



