Executive summary

The climate crisis is the defining challenge of the century, compounding existing threats to development while creating new obstacles. In 2015, three months after the creation of the 2030 Agenda for Sustainable Development, countries established a clear global vision for addressing it. The Paris Agreement combines science-based goals with country-led processes to bring about the shift to low greenhouse gas (GHG) emissions, climate-resilient development pathways. Such pathways are the only option for countries to achieve economic, social and environmental development that is inclusive and sustainable. Sound climate policy is sound development policy. They are indivisible.

However, slow progress towards meeting the objectives of the Paris Agreement puts at risk the ability of both developed and developing countries to fulfil the 2030 Agenda and their pledge to leave no one behind. Global GHG emissions are continuing to rise, while people worldwide suffer severe impacts ranging from increasingly intense hurricanes and floods to prolonged droughts. The climate crisis is thereby impeding the fight against poverty, especially in least developed countries and in a number of particularly exposed communities.

Investing in activities that mitigate and adapt to climate change in those environments is the only way bilateral and multilateral providers of development co-operation can carry out their mandates to support just, inclusive development and protect the natural systems that underpin life on Earth. This means supporting ambitious, country-driven climate action and reinforcing good development principles. The Paris Agreement complements the 2030 Agenda and Sustainable Development Goal 13 on climate change with three main objectives: limit the rise in global average temperature, adapt to the adverse impacts of climate change and make all finance flows consistent with these efforts. The Agreement also establishes short- and long-term bottom-up processes for countries to achieve these collective goals. Among these processes are nationally determined contributions – to be updated every five years – and long-term strategies to lower GHG emissions by the middle of this century.

This report outlines a conceptual framework for development co-operation providers to design, implement and continually assess their efforts to align with the Paris Agreement. It proposes that Paris-aligned development co-operation:

1. does not undermine the Paris Agreement but rather contributes to the required transformation
2. catalyses countries' transitions to low-emissions, climate-resilient pathways
3. supports the short- and long-term processes under the Paris Agreement
4. proactively responds to evidence and opportunities to address needs in developing countries.

These four characteristics may be implemented in various ways by development co-operation providers, depending on their mandates, priorities, operating models and circumstances.

Though some providers are already working towards embedding stronger climate action in their mandates, strategies and operations, evidence shows that, overall, they have yet to fully accomplish this. Those with financial operating models, like development banks and development finance institutions, have largely led alignment efforts to date, which is why this report pays particular attention to their direct financing of and

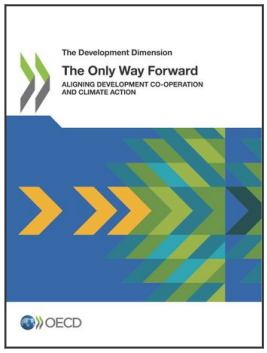
on-lending for infrastructure promotion in developing countries. A broader scope is needed if development co-operation providers are to align all of their activities, including policy support and capacity development, with the objectives of the Paris Agreement. Developing countries need this support to lead their own transitions. At the same time, development finance should be deployed more strategically to direct resources where they are needed most.

Key findings and proposed priority actions

To align with the objectives of the Paris Agreement, development co-operation providers should take priority actions at home (including in donor countries' broader international activities), in developing countries (in their work with developing country governments), and at the system level (in the global development architecture). Specifically, this report finds:

- *Development co-operation providers are not yet adequately set up to address the climate emergency.* Donor countries and providers should **integrate the climate imperative into providers' mandates and performance systems** and **establish the right capacities and tools** to deliver.
- *Lack of coherence in donor countries' broader international activities counteracts climate action through development co-operation*. Donor countries should **eliminate policy conflicts between their international activities and their commitments** under the Paris Agreement.
- *Process and capacity limitations in many developing countries constrain the integration of climate action into critical plans and decision-making processes*. Providers should **support the leadership and capacity of central actors and systems** in developing countries to drive the integration of climate change into policy and planning.
- *Central systems in public administrations and private finance in many developing countries continue to perpetuate high-emitting and climate-vulnerable pathways*. Providers should assist countries to **incorporate ambitious climate objectives throughout their financial and budgetary systems**.
- *The basic rules of the game of the international development system do not consider climate as an integral dimension of sustainable development*. All countries and institutions providing development co-operation should **adopt core definitions and mechanisms to ensure Paris alignment at the system level**.
- *Fragmented approaches in development co-operation limit the scale of effective climate action*. Providers should **drive effective, scaled-up climate action through common standards** in finance, data and infrastructure.
- *Large volumes of finance are available globally, but systemic barriers impede investment in low-emissions, climate-resilient infrastructure in developing countries*. Providers should **focus on effective partnering to promote finance for investments in low-emissions, climate-resilient infrastructure** at scale.

If they pick and choose the easiest and most visible interventions, development co-operation providers will fail to deliver on their mandates. It is vital that they acknowledge and assume their role of supporting developing countries to adopt more sustainable growth models. The transition to low emissions, climate-resilient development pathways is the only way forward, and it is within reach. The financial resources and technology, for the most part, are already available. What is needed is concerted and relentlessly ambitious support from development co-operation providers, through both individual action and partnerships.



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