

# Rapid review: UK aid's alignment with the Paris Agreement

## Approach summary paper

June 2021

### Introduction

This paper provides an overview of the Independent Commission for Aid Impact's (ICAI) rapid review of how the UK government is aligning all its official development assistance (ODA) with the Paris Agreement. The review will build on previous scrutiny of UK aid and climate change, including the 2019 ICAI review of International Climate Finance and the 2019 International Development Committee (IDC) inquiry into UK aid for combating climate change. It will also build on previous ICAI reviews into 'what works' for successful mainstreaming.<sup>1</sup>

### Background to the rapid review

In June 2019, the UK government made a commitment to align UK ODA with the Paris Agreement. This was articulated in the UK's Green Finance Strategy, whose objective is to position the UK as a green finance centre.<sup>2</sup> The alignment of ODA is not an obligation under multilateral negotiations; the government's commitment is a progressive action that positions the UK as taking steps towards the third long-term goal of the Paris Agreement (as expressed in Article 2.1) of "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".<sup>3</sup> This sits alongside long-term climate change mitigation and adaptation goals.<sup>4</sup>

The United Nations Framework Convention on Climate Change (UNFCCC) does not define the concept of 'consistency' of finance flows with a pathway towards low-emissions and climate-resilient development, or a set of tools to get there. Despite this, there have been commitments across many financial institutions to become 'Paris aligned'. The pathways to implementation of the Paris Agreement and operationalisation of alignment are, however, still emerging.<sup>5</sup> Alignment with the Paris Agreement and its long-term goals should be understood to capture, and go beyond, both a 'do no harm' and a mainstreaming approach.<sup>6</sup> This interpretation may require future adjustment if and when definitions and metrics are agreed internationally, but the urgency of the climate emergency makes it necessary. Alignment therefore seeks to deliver the system changes needed to deliver low-emission, climate-resilient development pathways, as defined by countries and by best available science.

The alignment of UK aid with the Paris Agreement is a live policy area. The UK government has championed the increase in funding for climate action in developing countries. It committed to spending £5.8 billion in UK aid funds on climate finance in the five years to 2020-21, and to doubling this to at least £11.6 billion in the next five-year period, to 2025-26.<sup>7</sup> At the same time, recent parliamentary scrutiny has highlighted a lack of alignment of some UK ODA with climate commitments. The IDC's 2019 review of UK aid for combating climate change found that ODA investments are not routinely assessed for their carbon footprint,<sup>8</sup> that the Prosperity

<sup>1</sup> *International Climate Finance: UK aid for low-carbon development*, ICAI, February 2019, [link](#), *Building resilience to natural disasters*, ICAI, February 2018, [link](#), *DFID's approach to disability in development*, ICAI, May 2018, [link](#).

<sup>2</sup> *Green Finance Strategy*, UK government, July 2019, [link](#).

<sup>3</sup> *Paris Agreement*, UNFCCC, 2015, p. 2, [link](#).

<sup>4</sup> The first long-term goal of the Paris Agreement is to limit the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels (mitigation). The second long-term goal refers to increasing developing countries' ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development (adaptation).

<sup>5</sup> *Aligning Finance with the Paris Agreement: An overview of concepts, approaches, progress and necessary action*, LSE, December 2020, [link](#).

<sup>6</sup> *Aligning Development Co-operation and Climate Action: The Only Way Forward*, OECD, 2019, [link](#).

<sup>7</sup> *2020 UK Climate Finance Results*, UK government, August 2020, p. 4, [link](#).

<sup>8</sup> *Oral evidence: UK aid for combating climate change*, IDC, 12 February 2019, [link](#).

Fund spent approximately £1.8 million on oil and gas projects between 2016 and 2018<sup>9</sup> and that, before the merger of the Foreign and Commonwealth Office and the Department for International Development, the Prosperity Fund had not published plans for integrating climate considerations across its work.<sup>10</sup>

The commitment to align all UK ODA with the Paris Agreement calls for a cross-government approach. In the absence of a shared global definition, the UK has taken a view on the interpretation of Paris Agreement alignment of ODA. The use of carbon pricing, climate risk assessment, adherence to fossil fuel policy and alignment with countries' nationally determined contributions have been put forward as tools to support the UK's ODA alignment effort. However, it is not yet clear *how* this target will be measured or monitored, *who* (across ODA-spending departments) will be accountable for meeting it, and *what* the implications might be for UK contributions to organisations such as multilateral development banks or multilateral climate funds. The review will take note of a recent National Audit Office (NAO) inquiry which examined the UK's efforts to achieve net zero carbon emissions at the domestic level, but it will not focus on the UK's domestic work in this area.<sup>11</sup>

### Purpose and scope of the rapid review

The review will examine the progress the UK has made towards aligning all UK aid with the Paris Agreement since its commitment to do so. Recognising that this commitment is relatively recent, dating from June 2019, the review will focus primarily on whether the UK government has put in place suitable strategies, systems and processes in all aid-spending departments that could deliver alignment. It will assess the UK approach to alignment, situating it in broader emerging practice.

The review intends to provide timely and useful insights that can support the effort to align UK ODA with the Paris Agreement. The review can also support the UK in its efforts to encourage other members of the Organisation for Economic Co-operation and Development (OECD) to finance climate action in developing countries more effectively. The UK will host the 26th Conference of the Parties (COP26) to the UNFCCC in November 2021. While the UK's commitment to align UK ODA with the Paris Agreement does not form a part of COP26, the commitment does relate to the parties' long-term collective goal to align finance flows with low-emission, climate-resilient development pathways. Providing insights into the degree to which the UK has implemented its commitment has the potential to support the ambition of mitigation and adaptation actions across countries, either through provision of finance or through commitments to further action.

### Review questions

- 1. Relevance:** Does the UK have a credible approach to aligning UK aid with the Paris Agreement?
  - a. To what extent is the UK's approach to alignment based on best available science and good international practice?
  - b. To what extent has the UK developed a credible approach to aligning UK bilateral aid with the Paris Agreement?
  - c. How credible is the UK's approach to aligning its multilateral aid to the Paris Agreement?
- 2. Coherence:** Is the UK's approach to aligning with the Paris Agreement coherent across aid-spending departments and with international partners?
  - a. Are the systems and processes that the UK has put in place coherent across aid-spending departments to ensure alignment with the Paris Agreement?
  - b. Is the UK encouraging and supporting its bilateral partners in a coherent manner to assist alignment with the Paris Agreement?
  - c. Is the UK working coherently with other multilateral and international partners to assist alignment of development finance with the Paris Agreement?

<sup>9</sup> UK aid for combating climate change, Eleventh Report of Session 2017-19, IDC, April 2019, [link](#).

<sup>10</sup> The Prosperity Fund has since been incorporated into core Foreign, Commonwealth and Development Office business. The extent to which climate will be considered within this work remains to be seen.

<sup>11</sup> *Achieving net zero*, NAO, 2020, [link](#).

## Methodology

The methodology for the review will involve four main components, each used to inform and triangulate findings in the others:

- 1. Annotated bibliography:** We will review academic and ‘grey’ literature to offer a summary of context, key issues and emerging practice in the rapidly evolving field of Paris Agreement alignment. The review will comment on the state of knowledge and the quality of evidence.
- 2. Process review:** We will review documentation on the UK government’s approaches to ODA Paris alignment, including relevant policies, strategies, coordination mechanisms, tools, learning and accountability mechanisms across the UK government. We will undertake key informant interviews with a cross-section of UK government officials, academics and other development partners as well as consultation with civil society and appropriate private sector representatives.
- 3. Strategy review:** We will review the UK government’s interpretation of and strategic approach to ODA alignment with the Paris Agreement. We will explore the degree to which ODA Paris alignment moves beyond existing climate mainstreaming and ‘do no harm’ considerations towards a more proactive alignment, and examine the climate-sensitivity of ODA spend by departments using OECD sectoral coding. This component will include key informant interviews, roundtables and exploration of ODA sectors and sub-sectors by department.
- 4. Thematic case studies:** We will explore aspects of the UK government’s approaches to ODA Paris alignment in detail through thematic case studies, selected to cover key issues of importance for answering our review questions. The selected thematic areas are as follows:
  - i. To what degree are UK aid alignment processes being implemented? This study explores the degree to which the commitment is understood and being implemented by UK government staff.
  - ii. How is the UK using its aid to respond to developing country alignment needs? This study evaluates the tools that the UK is proposing to guide ODA alignment, comparing progress with like-minded donors.
  - iii. How is UK aid being used to influence multilateral and international efforts towards alignment? This study considers how the UK is working and coordinating with other donors and actors towards alignment of ODA with the Paris Agreement.

The thematic case studies involve reviews of relevant documents, key stakeholder interviews, a roundtable and insights collected from UK government staff in embassies or high commissions.

## Risk management

We have identified several risks associated with this review and proposed a series of mitigation actions, where necessary, as outlined below.

Risks	Mitigation
The wide interpretation of Paris Agreement ‘alignment’ makes it hard to draw best practice, and additional commitments extend to wider public and overseas finance flows.	The review scope is limited to the consideration of aid and the review will focus on emerging good practice for alignment in ODA, although where necessary emerging good practice in other official flows may be considered relevant.
The commitment is young.	The review questions will not consider the effectiveness of the systems and processes put in place by the UK government, but will instead look at their relevance and coherence.
The timeline for gathering information and undertaking analysis is short, with many international events in the relevant period.	Interviews will always be complete, but will be as succinct as possible. Efforts will be made to ensure that interviews and the roundtable are organised as early as possible, giving interviewees as much flexibility as is feasible.

Risks will be reviewed on a regular basis and any mitigating actions adjusted as the operating environment changes or if any new risks emerge.

## Timeline

The rapid review will take place over a six-month period. Research for this review began in May 2021 and publication is expected in October 2021, before COP26.