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The International Development Committee

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Contents

Summary 3

1 Introduction 6

Our inquiry 7

Overview of our report 8

2 The urgency and scale of the challenge 10

The need for a suitable strategy 13

3 International Climate Finance: spending and resources 18

Budget 18

Staffing and Expertise 19

Transparency 21

4 Strategic approaches to spending International Climate Finance (ICF) 23

Climate finance and poverty reduction 23

Climate Compatible Development and Climate Justice 27

The balance between mitigation and adaptation 30

Climate programme cycles 32

Engaging the private sector 37

Mainstreaming climate finance 39

5 Policy coherence on climate change across government 43

Cross-departmental working on International Climate Finance 43

Coherence of wider government policy and spending with ICF 45

ODA and non-ODA support for fossil fuels 50

6 UK international leadership on climate change 54

Multilateral climate funds 54

Multilateral Development Banks 57

UN Secretary-General's 2019 Climate Action Summit 59

7 Conclusion 65

Conclusions and recommendations 67

Annex 73

Formal minutes 76

Witnesses 77

Published written evidence 78

List of Reports from the Committee during the current Parliament 80

Summary

The climate change crisis that the world is facing is huge–in scale, in intensity, in urgency. At the start of the inquiry, we asked: what will be the consequences if the international development community fails to rise to the challenge of climate change? The answers we heard depicted a nightmarish future: drought, flooding, displacement, hunger, disease. The Sustainable Development Goals will be rendered unachievable, and existing development gains will be reversed. There was agreement across the written and oral evidence, in line with the latest climate science, that it will be the least developed countries and the most vulnerable people who will be hit the first and the hardest by climate change–and indeed, many are already suffering devastating impacts. Ultimately, the UK will feel these too. The severity of the situation cannot be overstated.

The fact that climate change poses an existential threat is hardly new information, although as climate science advances, it is becoming apparent that the challenge is more frightening and more urgent than previously thought. The UK has historically shown international leadership in advancing both the climate change and sustainable development agendas, playing an active role both in negotiating the Paris Agreement and in developing and promoting the SDGs. But given what is now known about the pressures and challenges that the international community is facing on climate change, given the risks that climate change poses to disadvantaged and vulnerable populations, and given what remains to be achieved, what strategies and approaches should the UK be adopting in its aid spending to most effectively rise to the challenge?

First, the Government must recognise that climate change is not just one of a number of issues that the UK should address though aid spending. Climate change cuts across everything. The effectiveness of all UK aid spending is dependent on whether the international community rapidly and effectively combats the causes and impacts of climate change.

Given the urgency and scale of the challenge, spending climate finance has to be more than a box-ticking exercise to meet a commitment. Climate finance must be spent strategically, it needs to be spent with urgency, and it has to be transformative. It is therefore highly disconcerting that there does not appear to be an active strategy underpinning the Government's International Climate Finance spending. The Government should adopt a clear, robust strategy for spending climate finance that is outcome-oriented, time-sensitive, and based on the latest climate science.

At the same time, climate change cannot be addressed only through the climate finance budget. Climate change needs to be recognised as a cross-cutting strategic priority in all the UK's aid spending and should be comprehensively integrated across all development assistance strategies. This includes DFID's Economic Development Strategy which, we heard, pays little more than 'lip service' to climate change.

The UK's efforts to combat climate change through aid must be properly resourced. This means maintaining the 2020/21 climate finance spend of £1.76 billion as the new annual minimum spend for climate finance from the UK. This also requires sufficient expertise and staff capacity. We heard some concerning reports of reductions in DFID's capacity on climate in recent years. DFID should ensure that efforts at efficiency savings do not

lead to watered down expertise and ultimately result in ICF being spent less effectively. In order to ensure that ICF is having the greatest possible impact, ICF spending, monitoring and results should be open to scrutiny through increased transparency. The DevTracker website provides an appropriate platform for this.

Climate finance has to be consistent with poverty reduction. Witnesses to the inquiry warned that it is possible to spend aid in a way that addresses climate change, but which does not promote poverty reduction, and vice versa. All UK aid, no matter which department administers it, should be spent in a way that manages trade-offs and is consistent with both these goals. The concepts of 'climate compatible development' and 'climate justice' provide a helpful framing for guiding ICF spending towards both reducing poverty and addressing climate change. They should be more explicitly incorporated into programme design.

The concept of climate compatible development also involves considering mitigation and adaptation strategies simultaneously. We agree that the UK should not be restrained by the structure of international reporting requirements, which draw a distinction between mitigation and adaptation. In practice, the UK should have a more integrated approach.

We heard compelling evidence that DFID should shift to a more long-term approach in climate programming whereby longer programme cycles are set out from the start, providing certainty and opportunity for strategic planning. This should not preclude ongoing, robust evaluation to ensure the best outcomes. We also heard about a number of successful climate programmes that had been drawn to a close. We would like to see more climate finance being used to scale up successful programmes in order to fully realise the potential benefits of the valuable work in which DFID has invested.

Development assistance and private finance should play complementary roles. UK aid has an important role to play in mobilising more private sector finance towards climate activities and into areas and markets where private capital is needed but would not ordinarily go. The Government should ensure that they are tracking not just the amount of private finance that is mobilised but also whether this is being accessed by those who need it most.

We welcome the fact that DFID is seeking to mainstream climate change to ensure that the whole DFID portfolio is consistent with and supportive of climate resilience and low carbon development. Development programmes that fail to meet this standard will ultimately undermine their own effectiveness. However, this should be done as a matter of good practice in all programming, without the support of the International Climate Finance budget. Failing to integrate climate considerations in this way would be flawed development practice, and DFID should not be tapping into the International Climate Finance budget to subsidise what it should be doing anyway. Instead, the ICF budget should be used more strategically in pursuit of transformative change.

We heard that closer cross-departmental collaboration on ICF spending, and more comprehensive sharing of expertise, is needed. This can be achieved by reforming the management structures that govern the ICF.

Beyond the International Climate Finance budget, the Government should seek to ensure coherence on climate change across all aid spending bodies and departments. All aid should be consistent with reaching net zero emissions and climate resilience and consequently, climate change should be integrated as a priority in all strategies and adopted as a key consideration in all spending decisions. On questioning the Prosperity Fund, we found this approach lacking. In order to support this integration of climate across aid spending, the Government should adopt the model of the International Development (Gender Equality) Act 2014 for climate change, to ensure that all development assistance is screened for a contribution towards a climate resilient, low carbon world.

The only context in which it is acceptable for UK aid to be spent on fossil fuels is if this spend is ultimately in support of a transition away from fossil fuels and as part of a strategy to pursue net zero global emissions by 2050. In each case where ODA is supporting fossil fuels, the Government must be able to (i) demonstrate how that spend supports such a transition to zero emissions, and (ii) outline a plan for how that transition will be achieved and in what timeframe.

Any financial support for fossil fuels that does not meet these criteria - regardless of whether it is ODA or non-ODA - undermines the Government's International Climate Finance spend. Currently, the support provided to the fossil fuel economy in developing countries by UK Export Finance is damaging the coherence of the Government's approach to combating climate change.

At the multilateral level, the UK should use its influence with MDBs to champion more strongly a shift away from high-carbon investments and a scaling up of investments that are compatible with a 1.5°C world. The Government should work together and coordinate with other MDB shareholders to amplify pressure. The Government is also well placed to press for improvements to the Green Climate Fund where we recommend that the UK work with the Board to improve efficiency in decision-making and enable better access to finance by lower capacity countries and organisations.

Over the course of our inquiry we heard that there are several important issues that the international community is yet fully to grapple with, and on which UK leadership has, so far, been lacking. In the final section of the report we consider two areas where the UK Government has an opportunity to step-up and progress vital conversations on challenging issues that require solutions: loss and damage and climate migration. The UK should use the Secretary-General's upcoming Climate Action Summit to advance conversations on these topics, in partnership with developing countries, as part of the UK's role at the Summit leading on climate resilience.

1 Introduction

1. It is now nearly four years since the international community came together in Paris in December 2015 under the UN Framework Convention on Climate Change (UNFCCC) and agreed collectively to limit average global warming to well below 2°C above pre-industrial temperatures, and to 'pursue efforts' to limit warming to 1.5°C.[1] Since then, a growing body of scientific evidence has shown with increasing clarity the importance of high ambition and the need for rapid action. In 2018, climate scientists working with the UN Intergovernmental Panel on Climate Change (IPCC) found that even global warming of 1.5°C would result in risks to natural and human systems and many of these risks would be greater at 2°C.[2] Currently, commitments under the Paris Agreement would result in global warming of 3°C or more.[3]

2. It is imperative that the international community recognises and steps up to the task. The IPCC concluded that limiting warming to 1.5°C is still possible but will require "rapid, far-reaching and unprecedented changes in all aspects of society".[4] The world will need to cut global emissions by 45% by 2030, and achieve 'net zero' emissions worldwide by 2050 at the latest.[5] Should the world fail, the IPCC report made it clear that it will be "disadvantaged and vulnerable populations, some indigenous peoples, and local communities dependent on agricultural or coastal livelihoods" who will be disproportionately affected by the impacts of global warming of 1.5°C and beyond.[6] In March 2019, UN Environment's sixth 'Global Environment Outlook' found that "urgent action at an unprecedented scale" is needed to protect human and environmental health.[7]

3. In the context of this deeply concerning growing body of evidence of the impacts of climate change, there is heightened public awareness about the consequences of failing to act. In addition to recent protests in London by a range of participants (calling for 2025 zero carbon target and an overseeing "Citizens Assembly"), a new generation is becoming actively engaged and pressing for action. Greta Thunberg, a sixteen-year-old climate activist from Sweden, leapt to prominence in 2018 when she spoke at UN climate talks in Poland and later addressed the World Economic Forum in Davos in January 2019 as well meeting MPs at Westminster in April 2019. Thunberg has inspired mass protests amongst school children in countries around the world, including the UK.[8] Young people are raising their voices and calling on their leaders to respond with appropriate urgency to the crisis that will affect their generation more than any that has come before them.

4. Most recently, the Welsh and Scottish governments have both declared 'climate emergencies';[9] following the example of a number of campaigning local authorities across the UK.[10]

1 UNFCCC (2015) The Paris Agreement
2 https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf
3 See https://www.nytimes.com/interactive/2018/12/07/climate/world-emissions-paris-goals-not-on-track.html
4 https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1–5c-approved-by-governments/
5 https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf
6 https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf
7 https://wedocs.unep.org/bitstream/handle/20.500.11822/27652/GEO6SPM_EN.pdf?sequence=1&isAllowed=y
8 School climate strikes: 1.4million people took part, say campaigners, *The Guardian*, 19 March 2019
9 Monday 29 April 2019, see https://www.bbc.co.uk/news/uk-wales-politics-48093720 and https://www.bbc.co.uk/news/uk-scotland-scotland-politics-48077802
10 There is no legal framework, nor scientific consensus, on what exactly constitutes a 'climate emergency'. See https://climateemergency.uk/blog/list-of-councils/

5. Next year, 2020, is a pivotal year for the Paris Agreement and for international efforts to limit the rise of average global temperatures: the Paris Agreement will become fully operational and the Nationally Determined Contribution (NDC) plans—plans submitted by each signatory to the Paris Agreement for reducing greenhouse gas emissions—will come into force. Next year is also the 'ten years to go' milestone for the 2030 Sustainable Development Agenda and the 17 internationally agreed Sustainable Development Goals (SDGs). The UK has historically shown international leadership in advancing both of these vital and deeply entwined agendas, playing an active role both in negotiating the Paris Agreement and in developing and promoting the SDGs. But given what is now known about the pressures and challenges the world is facing on climate change, given the risks that climate change poses to disadvantaged and vulnerable populations, and given what remains to be achieved, how well, in 2019, is the UK stepping up to this global challenge? It is in this context that we launched our inquiry: 'UK aid for combating climate change'.

Our inquiry

6. In July 2018, we invited submissions on all aspects of UK aid for combating climate change, particularly on the following questions:

- What role can international development play in combating climate change?
- What will the consequences be if the international development community fails to take action?
- How can the UK play an active role in leading the world on this issue?
- How effective is the Government's bilateral ODA spend on combating climate change? Is it focused on the right countries?
- Is the Government using the right delivery partners for its bilateral ODA spend on combating climate change?
- Does the Government strike the right balance between adaptation and mitigation in its ODA spending?
- How effective are the climate-focused multilateral agencies to which the UK contributes?
- Does the UK give sufficient priority to climate-related issues within its ODA portfolio?
- How can development actors best harness technology to combat climate change?

7. Guided by the written submissions, we held five oral evidence sessions covering a range of issues including: how development programmes can most effectively address climate change, the role of the private sector, the effectiveness of multilateral climate finance, addressing loss and damage from climate change, addressing deforestation, and the coherence of climate action with support for fossil fuels.

8. In November 2018 we also had the opportunity to visit three countries in East Africa: Uganda, Ethiopia and Kenya. We were able to see first-hand some of the work that the UK aid budget has funded to support low carbon and climate resilient development in these countries, engaging with DFID in-country teams, national and local government representatives, civil society partners, local businesses and beneficiary communities. This followed a visit to Washington DC in June 2018, when we heard directly from the World Bank about their approach to addressing climate change. We are extremely grateful for the assistance, advice and openness that we encountered from all those we engaged with throughout the duration of both visits.

9. Throughout the course of our inquiry we have consulted NGOs, policy institutes, academics, private sector representatives, multilateral organisations, UK implementing partners, beneficiaries of UK climate finance and the UK Government. We have also had the benefit of guidance and advice from two specialist advisers whom we appointed in November 2018, Sam Bickersteth, Executive Director of Rockefeller Foundation Economic Council on Planetary Health at the Oxford Martin School, and Professor Tim Forsyth, Professor of Environment and Development at the London School of Economics and Political Science.[11] We are very grateful for their support.

Overview of our report

10. In Chapter 2, we begin our assessment by stepping away from the detail of UK aid spending on climate change to assess the full scale of the challenge that the international community is facing. What role should aid donors specifically be playing in rising to the challenge of climate change and what will the consequences be if they fail to do so? We look at whether the Government has fully internalised these realities in its broad approach to addressing climate change.

11. In chapters 3 and 4 we then home in on the portion of the UK aid budget that has been ringfenced specifically for addressing the causes and impacts of climate change, known as International Climate Finance (ICF). The UK has committed to spending £5.6bn of overseas development assistance (ODA) between 2016/17 and 2020/21 as ICF. This is an increase on the £3.87 billion that the UK provided for climate finance from 2011/12 to 2015/16.[12] ICF is delivered through the Department for International Development (DFID), the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra).[13] In 2016 7.8% of the UK's total £13.4bn ODA spend was international climate finance.[14] We ask: Is this allocation of UK aid to climate finance sufficient? Is it being spent as effectively as it could be? Are the strategies and approaches that the departments have adopted for spending international climate finance appropriate?

12. Chapter 5 looks beyond the ringfenced ICF budget to examine the extent to which the rest of the UK's £14bn annual aid spend is climate sensitive. We also consider UK non-ODA spending in developing countries and consider how far this is consistent with the

11 See here, 23 October 2018, for specialist advisers' declared interests.
12 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
13 DFID spends approximately 63%, BEIS 34% and DEFRA 3% of the ICF budget.
14 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)

aims and objectives of ICF. Is ICF spending potentially being undermined by wider UK ODA and non-ODA spending? How can support for fossil fuels in developing countries remain consistent with the need to support low carbon development?

13. Finally, in Chapter 6, we consider the role that the UK has played and is playing as a leader on the global stage. The UN Secretary General's upcoming Climate Summit in September 2019, where the UK is leading on the 'resilience' stream of the discussions, provides an ideal opportunity for the UK to push the international community to raise its game on crucial aspects of climate action. The annual Conference of the Parties (COP), which the UK is bidding to host in 2020, also provides an important international forum. We identify some key areas where the UK can, and should, press for progress.

2 The urgency and scale of the challenge

14. Answering the first question of the first evidence session of the Committee's inquiry, Clare Shakya, from the International Institute for Environment and Development (IIED), began the proceedings with a sobering reminder: "if you were being offered to get on a plane with a 66% chance of survival, would you get on? This is what we are doing with our planet right now. It is existential".[15] This analogy set the tone for the evidence that was to follow. The Committee heard, over and over again, that the crisis the world is facing is huge–in scale, in intensity, in urgency.

15. As the International Development Committee, we asked: what will be the consequences if the international development community fails to rise to the challenge of climate change? The answers we received depicted a nightmarish future:

- Oxfam GB:

    > If the international community fails to take adequate action to support the 3.5 billion poorest people around the world who face increased risk of floods, droughts, hunger and disease, millions of lives and livelihoods will be lost.[16]

- Marie Stopes International:

    > If the international development community fails to take action, there is a real risk that progress in international development over the past decades will begin to regress, particularly in terms of livelihoods and poverty, human security, and human health.[17]

- Tearfund:

    > A temperature increase of more than 1.5 °C above pre-industrial temperatures will impact the poorest worst, causing increased food and water insecurity, conflict, displacement and disease.[18]

- WWF–UK:

    > Climate change is already impacting people around the world, exacerbating poverty and undermining development efforts. Climate change undermines all of the SDGs, and if we fail to act on climate change, any prospect of ending poverty will be far out of reach.[19]

- Grantham Research Institute on Climate Change and the Environment:

    > Many of the impacts of climate change will be felt through changes in environmental factors, whether through inundation of previously inhabitable or productive areas due to sea level rise, more frequent and/or

15 Q2
16 Oxfam GB (CCC0017)
17 Marie Stopes International (CCC0020)
18 Tearfund (CCC0015)
19 WWF-UK Annex A (CCC0028)

intense extreme weather events (e.g. rainfall, tropical cyclones, heatwaves, etc.), or a lack of water (causing extended droughts and desertification). These changes will affect all other developmental priorities, including potential destruction or damage of economic infrastructure (roads, water networks, communication networks and buildings), damage to social infrastructure (hospitals, schools), exposure of populations to new health hazards (disease), or risks to economic output (heat impacts causing a decrease in labour productivity, crop destruction or loss of capital investment).[20]

- Bond Development and Environment Group (DEG):

  Humanitarian disasters are the price of inaction. Communities across the globe are being hit by more frequent and more extreme weather-related disasters as a result of climate change.[21]

- Christian Aid:

  Undoubtedly, unless there is strong and concerted international efforts to rapidly and profoundly address the causes of climate change, the vast majority of the progress on eradicating poverty achieved in recent decades will be reversed. Climate impacts will progressively overwhelm people's and Governments' ability to cope, and render achievement of the SDGs impossible.[22]

- The written submission from the UK Government also highlighted:

  The 2015 Strategic Defence and Security Review concluded that the impacts of climate change will exacerbate instability, conflict and migration in many countries–with an increased severity and magnitude of natural disasters destabilising economies, supply chains and our trading partners of the future.[23]

16. The answers we heard were often grounded in the conclusions of the latest studies and reports from economists, scientists, and international institutions on the current and expected impacts of climate change. Some responses to the Committee focused on how particular development goals would be affected:

Health

17. Professor Sir Andrew Haines of the London School of Hygiene and Tropical Medicine, highlighted that climate change will affect "the transmission of important vector-borne and water-borne diseases including malaria, dengue and diarrhoeal diseases as well as adversely affecting food safety through likely increases in food poisoning and mycotoxin (e.g. aflatoxin) exposure".[24] He stressed that "increasing temperatures will result in

20 Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014)
21 Bond (CCC0018)
22 Christian Aid (CCC0016)
23 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
24 Sir Andrew Haines, Professor of Environmental Change and Public Health, London School of Hygiene and Tropical Medicine (CCC0027)

growing exposure to extreme heat thus increasing death rates", citing recent supporting studies. He pointed to the World Health Organisation's projection that there will be about 250,000 additional deaths annually from climate change between 2030 and 2050,[25] and suggested that this "is likely to be an underestimate because it only considers a limited number of health outcomes (diarrhoea, undernutrition, heat stress, malaria)".[26]

Food security and nutrition

18. Christian Aid warned how without action to prevent global warming, climate change will affect nutrition:

> warming at 2°C as compared to 1.5°C will reduce wheat crops by 7 percentage points, and maize by 3 percentage points in tropical regions, affecting access to affordable food, and increased carbon/nitrogen ratios in plants will reduce nutritional quality. Ocean acidification and corresponding loss of fisheries productivity likewise presents serious nutritional risks.[27]

Oxfam GB similarly outlined how failure to tackle climate change will impact on "all aspects of food security":

> availability, access, utilisation, and stability. It threatens the production and distribution of food. It threatens people's ability to access food by undermining livelihoods and destabilising prices, and it damages diets by harming human health and putting at risk the quality of food produced.[28]

Results UK gave the example of Ethiopia as one country that is particularly vulnerable to these impacts, where "85% of the population is employed in agriculture, mostly on small scale, family farms. Climate change and associated droughts, delayed rains, and flooding weigh on agricultural productivity and food security".[29]

Water

19. Some written submissions outlined how the availability and safety of water would be affected. WaterAid highlighted that:

> climate change impacts are largely felt through water–either too much, or too little–and we need to urgently invest in water infrastructure to strengthen communities from the impacts of droughts, floods, and the waterborne diseases, such as cholera, which result from these impacts.[30]

Christian Aid similarly stated that the impacts of climate change are likely to "cause greater water scarcity through drought, and greater contamination of water through flooding."[31]

25 See here: https://www.who.int/news-room/fact-sheets/detail/climate-change-and-health
26 Sir Andrew Haines, Professor of Environmental Change and Public Health, London School of Hygiene and Tropical Medicine (CCC0027)
27 Christian Aid (CCC0016)
28 Oxfam GB (CCC0017)
29 Results UK (CCC0011)
30 WaterAid (CCC0010)
31 Christian Aid (CCC0016)

Gender equality

20. According to ActionAid, climate change has a disproportionate impact on women in developing countries and increases gender inequality. They told us that as environmental stresses increase, causing food security and hunger to rise, the amount of unpaid care work, for which women are disproportionately responsible, also increases. Additionally, there is an increased risk of violence to women due to having to walk longer distances and spend time in unsafe areas in order to collect water and firewood. Disrupted livelihoods and increased domestic labour means reduced access to education and income opportunities.[32] Christian Aid similarly asserted that girls would likely be affected by the impacts of climate change "significantly more than boys".[33] The submission from the consultancy, Mott MacDonald, stated that climate change has a disproportionate impact on women, as well as people with disabilities.[34]

21. Overall, there was broad agreement across the evidence base that it will be the least developed countries and the most vulnerable people who will be hit the first and the hardest.[35] However, as implied by the Government's written submission and the 2015 Strategic Defence and Security Review, due to the global nature of our economy, the indirect impacts on the UK will be significant. And ultimately, as Nick Mabey, Chief Executive of E3G points out, the UK will "suffer directly" as well.[36]

The need for a suitable strategy

22. How then, should the UK be using its aid budget to give the international community the best possible chance of preventing these devastating outcomes? The implications of the latest climate science and the evidence the Committee has received suggest to us that there are several important and necessary approaches:

- Firstly, we heard that the UK must act with urgency when spending aid for combating climate change. As Nick Mabey pointed out, climate aid is different from traditional aid because "it has to deliver a certain outcome in a certain period of time, or it doesn't work".[37]

- Secondly, the limited amount of climate finance available means that aid for climate change must be spent strategically, for the greatest possible impact. IIED wrote, "There is never going to be enough climate finance… We need to ensure that every penny spent has the biggest possible impact by focusing on the triple win of tackling the underlying drivers of poverty, resource degradation and climate change together".[38] Neil Bird from ODI told us, " … it is not only a matter of quantity of funding; it is quality of spend".[39]

32 ActionAid (CCC0003)
33 Christian Aid (CCC0016)
34 Mott MacDonald (CCC0013)
35 See for example: Global Witness (CCC0008); Results UK (CCC0011); Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014); Oxfam GB (CCC0017); Marie Stopes International (CCC0020); Q161
36 Q3
37 Q3
38 International Institute for Environment and Development (IIED) (CCC0026)
39 Q133

- Thirdly, the outcomes of aid spending needs to be transformative. As Nick Mabey put it, "the role of the development institutions is really quite clear, in that we have got to simultaneously change every economic system and quite a lot of social and political systems globally in two decades".[40] The 2019 Global Environment Outlook report explicitly stated that "transformative changes are needed to meet the Sustainable Development Goals, multilateral environmental agreements and related internationally agreed environmental goals".[41]

23. Overall, we heard that it is simply not an option to carry on doing business as usual. In the words of Clare Shakya from IIED:

> delivering the SDGs in light of climate change requires a huge shift in how we do development, and we are not seeing that change fast enough. We have got to be looking to tackle the underlying drivers of poverty, resource degradation and climate change together … It requires making our choices differently, understanding what the long-term direction is going to be. No country has developed in the way that we now need to in light of climate change. This requires a huge effort. It requires rethinking the way we do things …[42]

24. It was therefore disconcerting to learn from ICAI's 2019 performance review of UK aid for low carbon development that the overall strategy for International Climate Finance has not been updated since 2011. ICAI explain:

> There is no up-to-date strategy for UK International Climate Finance as a whole. A strategy from 2011 has not been updated and its current status is unclear. There is only an unpublished 'new narrative' established in 2017 that articulates at a high level what UK International Climate Finance is seeking to achieve within a broader context of international climate finance commitments. Key aspects of the UK approach—including its sectoral and geographical priorities and the link between low-carbon development and poverty reduction—have not been articulated. This risks undermining the strategic coherence of the UK's funding.[43]

25. It is difficult to see how, without an active, up-to-date strategy that captures the scale of the challenges, the UK can be responding in the way that is required based on the knowledge and understanding of climate change that has been amassed in the past 8 years since the first ICF strategy was written. We asked the three Ministers responsible for administering ICF how the findings of the latest report from the Intergovernmental Panel on Climate Change (IPCC) on the impacts of a 1.5°C temperature rise were being taken on board. Whilst they initially told us that the IPCC report had increased "the focus and the urgency, in terms of the work that we are doing" and has "just amplified all of our ambitions and desire to go faster",[44] it was difficult to tease out exactly what concrete changes, if any, had been made. Rt Hon Claire Perry MP, Minister of State for Energy and Clean Growth, Department for Business, Energy and Industrial Strategy said:

40 Q3
41 Op. cit.
42 Q2
43 https://icai.independent.gov.uk/wp-content/uploads/International-Climate-Finance-ICAI-review.pdf
44 Q173

> In terms of the report itself, I am not aware that we have particularly changed programme emphasis. I am looking to my other Ministers.[45]

26. The Government, however, did seem to acknowledge that the lack of an up to date strategy for ICF spending was a problem:

> **Chair**: My understanding is that ICAI has said in a recent review that the strategy has not been formally updated since 2011.
>
> **Harriett Baldwin**: Just watch this space, Mr Twigg.[46]

Indeed, since our evidence session, the Government has confirmed through its response to ICAI's review of UK aid for low carbon development, that the Government will be "refreshing the ICF strategic approach through the forthcoming government spending review" on the basis that, "a cross-departmental update of the ICF approach would be timely and useful, drawing on experience to date".[47]

27. The evidence to the Committee's inquiry implied that an up-to-date strategy for ICF alone would not be sufficient for effectively combating climate change given the scale and cross-cutting nature of this development challenge. Several submissions advocated that climate change should be a priority across all aid spending.[48] A submission from CAFOD articulated the point:

> To ensure UK climate finance delivers maximum impact, and given the urgency and scale of the challenge, the UK should have a coherent cross-Whitehall and whole-of ODA approach. Tackling climate change must be a strategic priority for all the UK's international development work.[49]

28. Government Ministers stressed the importance of treating climate change as a cross-cutting issue in oral evidence to the Committee. Harriett Baldwin MP, Minister of State for Africa at the Foreign and Commonwealth Office and Minister of State for International Development, said,

> it is very important that, in literally everything that we programme, we are ensuring that we take into account the impact of climate goals.[50]

Claire Perry added, "this is just a thread that runs through everything".[51]

29. We note, however, that some of the evidence criticised DFID and the Government for failing to integrate climate change comprehensively in other aid strategies. DFID's 2017 Economic Development Strategy (EDS) has met with particular criticism.[52] CAFOD expressed concern that climate change is not included as one of the strategy's 11 key messages, and whilst climate change is mentioned within the strategy as "one of the

45 Q174
46 Q175
47 Op. cit.
48 See for example: Catholic Agency for Overseas Development (CAFOD) (CCC0009); WWF (CCC0012); Mott MacDonald (CCC0013); Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014); Bond (CCC0018).
49 Catholic Agency for Overseas Development (CAFOD) (CCC0009)
50 Q191
51 Q191
52 Department for International Development, January 2017, 'Economic Development Strategy: prosperity, poverty and meeting global challenges'.

foremost challenges facing humanity and […] the biggest global threat to sustained economic development", this is not until page 28 of a 35 page document.[53] Christian Aid agreed that DFID's Economic Development Strategy "at best pays lip service to climate risk" adding that "in recent strategy documents, climate change is presented as a marginal issue, listed alongside many other risks".[54] They expressed concern that investments will consequently be left open to climate risk, or worse, actually exacerbate climate change by investing in high carbon infrastructure.[55] The Grantham Research Institute similarly pointed out that climate change "only receives a brief mention under the sector priorities of 'agriculture' and 'infrastructure, energy and urban development', while 'extractive industries' including oil, gas and mining are highlighted as a priority sector for support with no mention of climate change considerations".[56] Dr Ruth Fuller from WWF told the Committee in oral evidence that "climate change is not a major thrust in that document. It feels very much business-as-usual in terms of the models of economic growth that they are championing".[57]

30. The new cross-government 'Africa Strategy' is also an area where the extent to which climate change has been comprehensively integrated as a key strategic priority is unclear. DFID's written submission to us pointed to "a new Africa Strategy that also seeks a step change on climate in the African continent".[58] However, the strategy itself remains elusive, as captured by this recent exchange in evidence between the Foreign Affairs Committee and the Minister of State for Africa:

> **Chair [Mr Tugendhat]**: Could you send the whole document [of the Africa Strategy]?
>
> **Harriett Baldwin**: There is not a document per se. When I say the new approach to Africa, the key things that I would draw the Committee's attention to are the bullet points that I summarised and the speech that the Prime Minister made in Africa.
>
> **Chair [Mr Tugendhat]**: So, the 10 bullet points in the speech is the strategy.
>
> **Harriett Baldwin**: And there were internal PowerPoint presentations and documents at the NSC and things like that, but there is not a published strategy document per se.
>
> **Mr Seely**: So, when you talk about an Africa strategy you are talking about a work in progress and you have got some headlines.
>
> **Harriett Baldwin**: The new approach to Africa is the framework that we are working across Government with other Departments to underpin the approach that we are taking over the next decade.
>
> **Mr Seely**: Yes, but you haven't got a detailed Africa strategy. What you have got is 10 key messages currently and a speech.

53 Catholic Agency for Overseas Development (CAFOD) (CCC0009)
54 Christian Aid (CCC0016)
55 *Ibid.*
56 Grantham Research Institute on Climate Change and the Environment (CCC0014)
57 Q63
58 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)

> **Harriett Baldwin**: And something that is working, living and breathing. It is not our intention to publish a crystal document. It is our intention to use that approach to inform Government policy.[59]

Whilst climate change is, according to the Minister, one of the 'thematic shifts' included in the Government's new approach to Africa,[60] without a published strategy it is difficult to track how comprehensively this is being integrated and prioritised across the UK's aid spending and programming throughout that continent.

31. **Climate change is not just one of a number of issues that the UK should address though aid spending. Climate change cuts across everything. The effectiveness of all UK aid spending is dependent on whether the international community rapidly and effectively combats the causes and impacts of climate change. The challenge is huge, it is existential, and there is very little time. The severity of the situation simply cannot be overstated.**

32. **In this context, climate finance has to be more than meeting a commitment and ticking a box. The UK needs to make sure that all climate finance is being spent in the most effective possible way, to have the greatest impact. Climate finance must be spent strategically, it needs to be spent with urgency, and it has to be transformative. It is therefore disconcerting that there does not appear to be an active strategy underpinning the Government's International Climate Finance spending. It is further alarming that climate change does not appear to be fully integrated across other aid strategies. This is not the response that a crisis of such magnitude demands.**

33. ***We recommend that the Government designs and adopts a clear, robust strategy for spending climate finance. The strategy should be outcome-oriented, time-sensitive, and based on the latest climate science. At the same time, climate change needs to be recognised as a cross-cutting strategic priority in the UK's aid spending and should be comprehensively integrated across all development assistance strategies.***

59 Foreign Affairs Committee, Oral evidence: The Work of the Minister of State for Africa, HC 900, Qq99–102

60 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)

3 International Climate Finance: spending and resources

Budget

34. The Government has committed to spending at least £5.8 billion between 2016 and 2021 on international climate finance. In the final year of this period, the UK is expected to provide £1.76 billion, marking an uplift of spending from previous years. Evidence from Bond's Development and Environment Group (DEG) calls for the Government to maintain this level of funding "as the minimum floor" of climate finance from 2021 onwards, and for this funding to be allocated in the upcoming Comprehensive Spending Review.[61] In oral evidence to the Committee, Government Ministers would not be drawn on whether this would be a future spending commitment. Harriett Baldwin advised, "we will not be able to tell you that until nearer the time".[62] Claire Perry later added:

> we have a commitment now. We have the £5.8 billion that is set out over this Parliament, which is generous, and I believe among the top three donor levels in the world focused on this area. That is very much a conversation for the spending review going forward.[63]

35. There were several submissions to the inquiry which suggested that climate finance should be drawn, either partly or wholly, from outside the ODA budget to allow the UK to scale up on ambition on climate without diverting money away from other development objectives. The Bond Development and Environment Group pointed out that under the UNFCCC, all climate finance should be 'new and additional' "since the challenge of climate change is 'new and additional' and makes the challenges of poverty reduction and sustainable development harder".[64] The UK considers its aid spending on climate change to meet this 'new and additional' requirement on the basis that it is drawn from a growing aid budget and so is in addition to previous levels of funding.[65] The Bond group, however, argued that this is an unsustainable approach due to the scale of the funding demands for addressing climate change. They advocated that "no more than 10% of the aid budget should be allocated for climate finance", with the rest of the UK's climate finance contribution drawn from alternative sources.[66] To support this, the group suggested that "far more political attention needs to be given to generating new innovative sources of climate finance, such as carbon pricing for shipping and aviation, a financial transaction tax, and an equitable fossil fuel extraction levy (such as the Climate Damages Tax) … "[67]

36. A number of other organisations also called on the UK to seek sources of climate finance from outside the ODA budget including, ActionAid, CAFOD, WaterAid, WWF and Christian Aid.[68] We put this to Clare Shakya, from the International Institute for Environment and Development (IIED), who suggested that the "ideal situation" would

61 Bond (CCC0018)
62 Q173
63 Q179
64 BOND Development and Environment Group (DEG) (CCC0032)
65 *Ibid.*
66 *Ibid.*
67 Bond (CCC0018)
68 ActionAid (CCC0003); Catholic Agency for Overseas Development (CAFOD) (CCC0009); WaterAid (CCC0010); WWF (CCC0012); Christian Aid (CCC0016)

be if "the ODA commitment is there and there is an additional allocation for climate finance". She stressed that this was due to the shortage of climate finance, rather than due to any objection to climate finance being classed as ODA: "the ODA definition is broad enough to include the type of support that is needed for climate finance".[69]

37. We asked the Government Ministers whether they had plans to seek 'new and additional' sources of climate finance from outside the ODA budget. The DFID Minister responded by pointing to efforts to leverage private finance through ODA spending: "we certainly have ambitions to use the ODA budget… to help particularly DFID-focused countries to crowd in additional financing from a range of other sources".[70] The Minister did not give an indication of whether the UK would consider seeking alternative sources of public finance to support their climate finance contribution.

38. **The UK has committed to spending £1.76 billion on climate finance in 2020/21 and we agree that this should become the new annual minimum spend for climate finance from the UK. *This funding should be allocated as International Climate Finance in the upcoming comprehensive spending review. At the same time, DFID's climate related work should not be restrained by the ICF budget which need not be regarded as the sole source of climate finance. In order to scale up efforts on climate beyond what is funded by ICF, the Government should consider the options for additional climate finance from public and private sources.***

Staffing and Expertise

39. Several submissions to the inquiry flagged the level of staffing and expertise on climate change within DFID as an area of concern. For example, Christian Aid called for DFID to increase staff capacity in climate change, resilience and agricultural livelihoods, as the impacts of climate change intensify, and drought risks grow.[71] In oral evidence to the Committee, Dr Kate Schreckenberg, a Reader of Development Geography at Kings College London, who was the Director of the UK's £43m Ecosystem Services for Poverty Alleviation (ESPA) Research Programme, described DFID as "severely under-resourced" in terms of staff with forest and natural resource expertise. She said this was the case both in the UK and in country offices, and criticised the amount of work which DFID contracts out to service providers, reducing the level of in-house "day-to-day expertise on the impact of their activities".[72] Andrew Mitchell, Founder and Senior Advisor of Global Canopy, giving evidence as an independent expert alongside Dr Schreckenberg, fully agreed with her assessment:

> In my lifetime, I have watched DFID get hollowed out in terms of expertise. Twenty years ago, they had incredible expertise in DFID, paid for. They knew what they were doing. Because of successive cuts that we have had to make for all sorts of reasons, that expertise has been devolved out into highly paid consultancies that are sucking up a great deal of the aid money on the basis that it is more efficient to do it that way.[73]

69 Q4
70 Q180
71 Christian Aid (CCC0016)
72 Q96
73 Q97

40. Dr Schreckenberg advocated that DFID should "rebuild its in-house capacity around forests and landscape management, both in the UK and its country offices". She suggested that an additional benefit of more in-house capacity would be to "enable DFID to influence multilateral programmes such as the Global Environment Facility, the Green Climate Fund and the Forests Carbon Partnership Facility more effectively".[74] It seems, however, that DFID is going in the opposite direction. Sally Taylor, Head of Climate and Environment at DFID, told us in reference to DFID's work on forests:

> we are increasingly working through partnerships and mobilising others and doing fewer, if you like, projects ourselves. That is partly the difference in terms of the way we are set up, our staffing and so on.[75]

41. DFID is not the only department that has reduced its in-house climate expertise and capacity. According to Nick Mabey from E3G, who formerly worked in the FCO's Environment Policy Department, there have been "worrying" cuts to the FCO's capacity on climate diplomacy. He added, "rebooting our climate diplomatic service and working with others to do that and to increase capacity is necessary to deliver the development agenda".[76]

42. Clare Shakya outlined the impact that a reduced number of staff working on climate across different departments is having at the country level:

> When you had the Foreign Office, which had a very well-resourced effort on climate, the Department of Energy and Climate Change, which also put people out there, and DFID all working together in country, you saw really intelligent things happening and really strategic investments being made that went with the grain and shifted the politics in that country. Because you do not have the staff, you are not seeing that happen.[77]

43. When we questioned DFID on the issue of climate capacity and expertise, Minister Baldwin told us that the department is "in the process of looking to increase the number of climate experts".[78] According to the Minister, this is particularly aimed at increasing capacity building at the country level, to support the least developed countries to access climate finance.[79] In response to our request, the Government later wrote to us to confirm the numbers of staff who are being hired to work on climate: they will be creating an additional 20 dedicated climate change posts to support a more intensive cross-government effort to address climate change issues affecting Africa.[80] The ICAI 2019 performance review of UK aid for low carbon development confirmed that numbers of climate advisers in country teams, having decreased slightly between 2014 and 2016, were now "set to rise". However, the review expressed concern that such advisers "are not available in all country offices".[81]

74 Dr Kate Schreckenberg (CCC0031)
75 Q188
76 Q19
77 Q30
78 Q182
79 Q173
80 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0037)
81 https://icai.independent.gov.uk/wp-content/uploads/International-Climate-Finance-ICAI-review.pdf

44. **The evidence strongly suggests that DFID's capacity and expertise on climate has been reduced in recent years - particularly, although not exclusively, in relation to forests and natural resource management - risking detrimental impacts on programming.** ***This situation should be urgently rectified. DFID must have sufficient numbers of staff who are (a) focused on climate programming and (b) have climate expertise, to ensure that International Climate Finance is being spent effectively and where it is most needed. This applies to both DFID head office and in-country posts.***

45. **We welcome the Government's commitment to create 20 new dedicated climate change posts. However, it is not clear to what extent these posts will be supported by champions for action on climate change at senior management level. We also note that the criticism around a loss of DFID expertise on forests due to an increased emphasis on working through service providers still seems to stand.** ***DFID should ensure that efforts at efficiency savings do not lead to watered down expertise and ultimately result in ICF being spent less effectively.***

Transparency

46. The written submissions raised criticisms about the transparency of ICF spending, both in terms of how it is spent and what impact it is having. The Bond Development and Environment Group said that since climate finance began to be mainstreamed across DFID's portfolio, it has been become more difficult to track, and they are concerned that "a lot of traditional development spend is just being relabelled as climate finance". Greater transparency on ICF spending would allow this to be better scrutinised.[82] Mott MacDonald agreed that improvements could be made on monitoring, measuring and reporting on climate finance.[83] CAFOD emphasised a need to disclose methodologies used for assessing impact as well as the project-level data. They asserted that there is currently "a lack of clarity on how ICF spending decisions are made; how projects are developed and prioritised and how impact is being measured and learning generated".[84] Clare Shakya said that the way climate finance is currently reported, "obfuscates rather than elucidates what is going on".[85]

47. Better transparency would not just enable greater public understanding of how the UK's ICF budget is being spent but would also potentially provide a robust accounting model for other countries spending climate finance. WWF told us that better transparency "would mean greater accountability for public money, and enable others to learn from the UK's significant experience in delivering climate finance".[86] Clare Shakya from IIED, formerly a senior climate change adviser at DFID, told us that ICF spending is very closely monitored in the department and that "it is shocking to go outside and realise how poor it is" in terms of public transparency.[87] The UK is missing an opportunity to lead on this on the global stage:

82 Bond (CCC0018)
83 Mott MacDonald (CCC0013)
84 Catholic Agency for Overseas Development (CAFOD) (CCC0009)
85 Q9
86 WWF (CCC0012)
87 Q9

> To be honest, I think the UK system internally is the most robust that exists, and we get no credit for that at all, because it is not how it is reported internationally.[88]

IIED's written submission recommends that the UK should use DFID's 'DevTracker' website to transparently report climate finance flows "broken down by component, delivery partner and project details".[89]

48. **In Chapter 2 we outlined why it is so important that international climate finance is spent as effectively and with as great an impact as possible. It follows, then, that the way in which ICF is being spent, its impact, and the methodology for measuring that impact, should be in the public domain and open to scrutiny. Not only will this ensure that climate finance spending can be held to the highest of standards, it can also help to raise the bar on climate finance reporting in other countries by acting as a model to follow. Improved transparency around ICF spending therefore has the potential to improve climate finance spending globally.** ***The UK should take the opportunity to be a global leader on climate finance accounting and reporting by improving transparency of ICF spending, impact and monitoring methodology. We agree with the International Institute for Environment and Development (IIED) that DFID's online "DevTracker" system could provide an appropriate platform for greater transparency on International Climate Finance (ICF). The Government should use this platform to report climate finance flows transparently, broken down by component, delivery partner and project details.***

88 *Ibid*
89 International Institute for Environment and Development (IIED) (CCC0026)

4 Strategic approaches to spending International Climate Finance (ICF)

Climate finance and poverty reduction

49. In our 2018 report on 'The Definition and Administration of ODA' the Committee concluded that:

> In keeping with the UK Aid Strategy, poverty reduction should be the central pillar of UK ODA spending. However, evidence submitted to us has suggested that ODA programmes administered by other government departments are not always targeted adequately towards poverty reduction …[90]

The Department for Business, Energy and Industrial Strategy (BEIS) is currently the largest non-DFID spender of ODA. According to BEIS, its ODA spend aims to support the goals of the UK Aid Strategy by, "reducing poverty by generating and putting into use technology to address global development challenges which affect the poorest people and countries".[91]

50. A focus on poverty reduction and reaching the most vulnerable is of high importance when spending aid to combat climate change because, as discussed in Chapter 2, climate change impacts the poorest and the most vulnerable communities the hardest. Professor Dirk Messner, Director of United Nations University Institute for Environment and Human Security articulated the point:

> as we all know and as the science is demonstrating, global warming is impacting most severely the most vulnerable and the poorest—smallholder farmers, for example, and other vulnerable people depending on their land and depending on access to water, sea level rise impacts, et cetera. The poorest are the ones that drive global warming very little but feel the impacts very clearly. Climate protection from this perspective is investing in capabilities of poor people. Climate protection is driving pro-poor development.[92]

51. We heard that successfully aligning climate programming with poverty reduction requires planning and consideration, which itself requires institutional capacity and associated knowledge and expertise, and it is not only a case of ensuring that vulnerable communities are supported to adapt to climate change. As recent climate science and evidence to our inquiry has made clear, there is a risk of trade-offs between efforts to mitigate emissions and poverty reduction that needs to be carefully navigated. The Intergovernmental Panel on Climate Change (IPCC) special report on the impacts of a 1.5°C temperature rise, explains that strategies to mitigate $C0_2$ emissions can both help and hinder the attainment of the SDGs:

90 https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/547/547.pdf
91 Evidence to IDC ODA inquiry 2018; Department for Business, Energy and Industrial Strategy ODA0026
92 Q161

> Mitigation options deployed in each sector can be associated with potential positive effects (synergies) or negative effects (trade-offs) with the Sustainable Development Goals (SDGs). The degree to which this potential is realized will depend on the selected portfolio of mitigation options, mitigation policy design, and local circumstances and context.[93]

52. These risks are borne out by the findings of the Ecosystem Services for Poverty Alleviation (ESPA) research programme, under the Directorship of Dr Kate Schreckenberg. Dr Schreckenberg told us in written evidence that

> there are risks that poorly considered forest-based activities may impose costs on the poorest and most marginalised people, particularly women.[94]

She gave the example of how the establishment of protected areas to conserve forests can often restrict traditional forms of land use, and those who are affected are often not properly compensated for lost livelihoods.[95] ESPA's research findings suggested that the potential for trade-offs is "almost inevitable" and so anticipating and identifying these at the start of programme design is important in order to find suitable solutions.[96] This suggests to us that in order to assess the links between climate change and poverty reduction, it is necessary to look not only at where climate finance is being spent, but also at who is benefiting from the finance, and how any trade-offs are being managed.

53. The Government wrote to us at our request outlining the climate finance split between Least Developed Countries (LDCs), Lower Middle Income Countries (LMIC) and Upper Middle Income Countries (UMIC). This shows that the proportion of support going to LDCs has hovered around 60% in the last four years.[97]

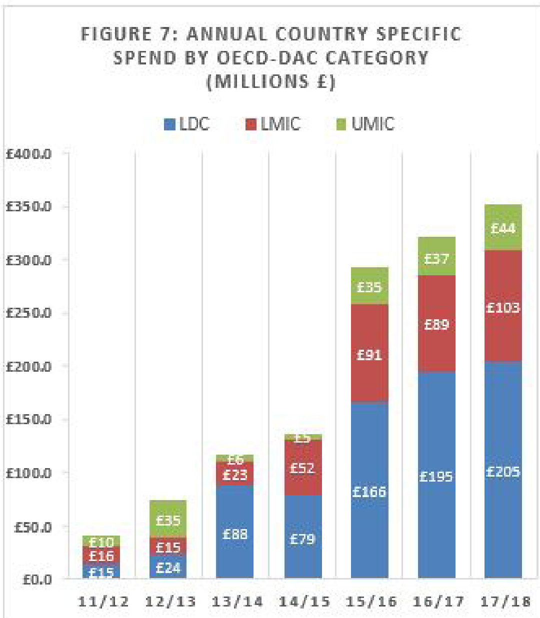

FIGURE 7: ANNUAL COUNTRY SPECIFIC SPEND BY OECD-DAC CATEGORY (MILLIONS £)

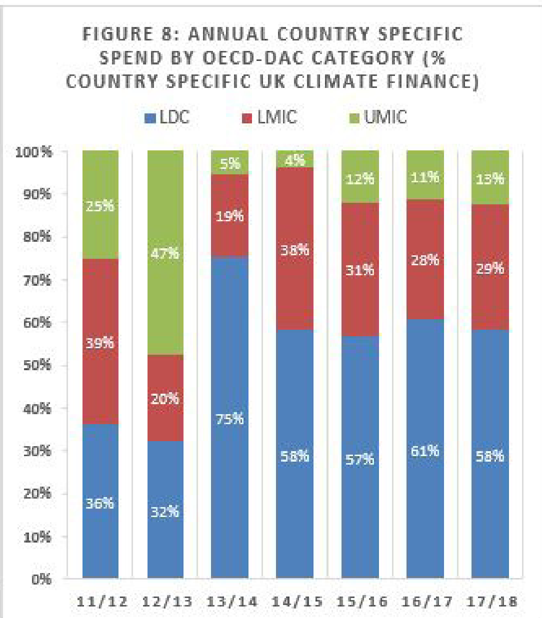

FIGURE 8: ANNUAL COUNTRY SPECIFIC SPEND BY OECD-DAC CATEGORY (% COUNTRY SPECIFIC UK CLIMATE FINANCE)

93 https://www.ipcc.ch/site/assets/uploads/sites/2/2018/07/SR15_SPM_version_stand_alone_LR.pdf
94 Dr Kate Schreckenberg (CCC0031)
95 *Ibid.*
96 *Ibid.*
97 Department for International Development (Annex A) (CCC0030)

54. When asked about this in oral evidence, Minister Perry responded:

> This is often the heart of the climate debate, because you can either focus on countries that have emissions you can help reduce or you can focus on countries where there are no emissions but where there are very poor populations.[98]

She added:

> Solving the climate change problem by focusing on reducing global emissions arguably benefits the world's poorest and most vulnerable people and, I think, women most.[99]

55. Dr Thérèse Coffey MP, Parliamentary Under-Secretary of State for the Environment, Department for Environment, Food and Rural Affairs suggested that aligning climate aid with poverty reduction does not just mean focusing on the poorest countries but can also mean targeting poor populations within middle income countries. For example:

> If I think of Brazil, we work in the Caatinga region, it has the lowest Human Development Index in the country. We also work in Madagascar, in particular, in Tahiry Honko in the south-west and Ambanja Bay in the north-west. We are looking at some of the poorest places.[100]

56. We heard about some examples of DFID programmes which do well at both targeting the least developed countries and the most vulnerable people within those countries. The Glasgow Caledonian University Centre for Climate Justice highlighted the Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) programme, "which has a strong presence in LDCs and focuses resilience building efforts on the poorest and most vulnerable communities".[101] As a Committee, we saw, and were impressed by, some of the work that DFID has been supporting under the 'Strengthening Adaptation and Resilience to Climate Change in Kenya Plus' (StARCK+) programme to develop a devolved climate finance mechanism in arid and semi-arid counties, which has enabled county governments to mainstream climate change in their planning and has allowed local communities to participate in developing climate adaptation mechanisms.[102]

57. However, the evidence also highlighted some concerns over whether DFID climate programmes always reach the poorest and most vulnerable people. For example, Glasgow Caledonian University Climate Justice Centre gave the example of a UK climate finance funded programme to improve women and girls' uptake of clean cookstoves. This work was also referred to by the Ministers in oral evidence.[103] The Climate Justice Centre was critical of the way in which this programme is being monitored. They pointed out that while on the surface, the work is "focusing on a vulnerable group and recognises gender as a social barrier to sustainable development and good health", DFID's assessments of success are based on sales data from their supplier partner, Global Alliance for Clean Cookstoves, rather than on feedback from the women and girls themselves. The Climate

98 Q194
99 *Ibid.*
100 *Ibid.*
101 Glasgow Caledonian University Centre for Climate Justice (CCC0034)
102 https://devtracker.dfid.gov.uk/projects/GB-1–203574
103 E.g. Q188, Q191

Justice Centre also pointed to a research study[104] which shows that 'access' to clean cooking solutions does not equate to 'use'. They told us that study found "the usage of clean cooking solutions declined over the long-term, as did the assumed health benefits".[105]

58. Dr Kate Schreckenberg presented the example of DFID's support for market-based approaches to addressing forestry, such as REDD+ [Reduced Emissions from Deforestation and Forest Degradation]. Dr Schreckenberg criticised how such approaches "focus primarily on environment outcomes and do not necessarily deliver on equity and poverty alleviation".[106]

59. We have also received evidence that questions whether climate finance spent by DFID always reaches the right countries. For example, IIED said in written evidence that whilst DFID is generally strong on its support for the most vulnerable countries, "several LDCs and vulnerable regions are donor orphans. Climate vulnerable and fragile counties and regions need attention".[107] In oral evidence, Minister Baldwin acknowledged that DFID could have more of a strategic focus on countries that are particularly climate vulnerable:

> if you look ahead at some of the most vulnerable places on the planet and DFID programming, we do need to be changing and uplifting in certain areas. One of them, for example, would be Madagascar, which is likely to be a country where a lot of poor people will continue to live with amazing environmental challenges. That will be an area where, in our strategic programming, we would hope to be 7increasing our focus.[108]

60. Whilst all three Ministers gave responses on how they see their climate finance spend benefiting the poorest and reaching the most vulnerable, we were not able to gain assurances that this was being monitored and tracked. We heard from Neil Bird, a Senior Research Fellow at the Overseas Development Institute (ODI) that the UK should "demonstrate that climate finance, under the UK aid budget, contributes to poverty reduction and meeting the needs of the most vulnerable in an explicit way".[109] When we asked the Ministers how this was being measured, Minister Coffey replied:

> That is a good question. I do not know the specific answer to that, I must admit. When I think of the reviews that I do, obviously they are all in line with the UK aid strategy, but we are focusing on what the outcomes are in terms of carbon. I am conscious that in our selection process on where we invest is where we may have considered that, but I do not recall specifically me looking then at what that then means.[110]

On request, the Government sent a follow-up letter in which they confirmed that the ICF's key performance indicators:

104 Rema Hanna, Esther Duflo, and Michael Greenstone, "Up in Smoke: The Influence of Household Behavior on the Long-Run Impact of Improved Cooking Stoves," NBER Working Paper (Cambridge, MA: National Bureau of Economic Research, 2012), https://www.nber.org/papers/w18033.

105 Glasgow Caledonian University Centre for Climate Justice (CCC0034)

106 Dr Kate Schreckenberg (CCC0031)

107 International Institute for Environment and Development (IIED) (CCC0026)

108 Q197

109 Q158 [Neil Bird]

110 Q195

> do not include directly measuring the impact on reducing the poverty of the most vulnerable, though they do capture how many people have been assisted to cope with climate change and other measures we know are important for tackling poverty such as the access to clean energy.[111]

The results provided by the Government include:

> - 17 million people provided with improved access to clean energy
>
> - 47 million people supported to cope with the effects of climate change
>
> - 590 MW of clean energy installed.[112]

With regards to managing potential trade-offs between climate action and poverty reduction, it is difficult to see how these are being actively managed when poverty reduction is not directly assessed.

Climate Compatible Development and Climate Justice

61. Several submissions highlighted that poverty reduction is not just a potential co-benefit of climate action, but increasingly, addressing poverty and vulnerability is being recognised in itself as an important part of building resilience to climate change. Professor Tim Forsyth told us that:

> Increasingly, approaches to adaptation include aspects of socio-economic transition as well as infrastructure in order to address the factors that make people vulnerable to these additional gases. For example, cyclone shelters in Bangladesh do save lives: but they do little to address the reasons why people are vulnerable outside of short-term protection, such as shortage of sustainable livelihoods, security of tenure, etc[113]

ODI also highlighted in their submission the role of traditional development in building resilience to climate change:

> A climate-related hazard, be it an extreme weather event or a slow onset hazard like sea level rise, results in a disaster (deaths and severe economic losses) when it interacts with underlying development problems.[114]

62. 'Climate compatible development' is an approach that recognises the close interaction between climate change and development.[115] ActionAid's written submission to the Committee advocated that DFID adopt this approach:

> ActionAid recommends that DFID combats climate change with climate compatible development. This approach goes beyond previous processes by building climate resilience, cutting carbon emissions and promoting development simultaneously. It aims to address mitigation, adaptation, resilience and human development in all programmes. This aligns with

111 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0037)

112 *Ibid.*

113 Professor of Environment and Development Tim Forsyth (CCC0002)

114 Overseas Development Institute (CCC0021)

115 https://cdkn.org/wp-content/uploads/2012/10/CDKN-CCD-Planning_english.pdf

> the notion that all climate change programmes should contain strong development threads and all development programmes must consider climate change adaptation and resilience.[116]

63. Professor Forsyth's recommendation of enhancing the transfer of climate-friendly technologies is one example of a policy that reflects this approach in that it "can achieve climate change mitigation; build local socio-economic resilience and adaptive capacity; and contribute to classic local development objectives such as education, healthcare and quality of life".[117]

64. Some of DFID's climate programmes already follow a 'climate compatible development' approach. For example, whilst in Ethiopia, we were able to see elements of the Productive Safety Net Programme (PSNP) that DFID has supported with ICF, building communities' resilience to climate change by reducing food insecurity and vulnerability.[118] On the other hand, the Government highlight in their written submission to the inquiry that:

> DFID's Humanitarian Policy recognises the need to invest more in resilience and preparedness to respond, including using insurance and other risk-based finance to better manage risks, and deliver longer-term solutions to protracted crises.[119]

We received several submissions that pointed to and criticised a growing tendency within DFID to emphasise insurance schemes and managing finance risk as a way for responding to climate change, rather than addressing root causes of vulnerability in order to build to resilience.[120] Results UK set out in their written evidence some of the benefits of climate risk insurance for tackling poverty and vulnerability-to-shocks, but emphasised that "climate risk insurance is not a silver bullet but rather it must be implemented as part of an integrated strategy on climate risk management".[121]

65. As part of our inquiry, members of the Committee met representatives from the Glasgow Caledonian University Climate Justice Centre. We learned from the Centre that a climate justice approach is not equivalent to the 'polluter pays' principle, which puts an emphasis on where climate finance should be coming from, but rather emphasises to whom climate finance should be going, and how they should be supported. They told us that a climate justice approach:

> recognises humanity's responsibility for the impacts of greenhouse gas emissions on the poorest and most vulnerable people in society by critically addressing inequality and promoting transformative approaches to address the root causes of climate change.[122]

The Centre explained that the climate justice approach is in "complete harmony with the SDG motto of 'leave no one behind'", and actively seeks to reach and engage with those most impacted by climate change:

116 ActionAid (CCC0003)
117 Professor of Environment and Development Tim Forsyth (CCC0002)
118 See https://devtracker.dfid.gov.uk/projects/GB-1–204290.
119 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
120 See, for example, Christian Aid (CCC0016); Dr Ayesha Siddiqi, Royal Holloway University of London & Dr Amiera Sawas, ActionAid UK (CCC0025)
121 Results UK (CCC0011)
122 Glasgow Caledonian University Centre for Climate Justice (CCC0034)

> A climate-just policy is one that is 'designed with' rather than 'for those' most affected by climate change (or their representatives), making it potentially more legitimate and effective at the local level.[123]

They emphasised that the climate justice approach is applicable to both mitigation and adaptation policies, "as both carry the risk of accentuating local inequalities".[124]

> For instance, renewable energy development (mitigation) can negatively affect local populations through land grabs, while adaptive measures such as agricultural development projects can inadvertently end up excluding those with little disposable income to invest in the proposed inputs and technology. In contrast, climate justice seeks to ensure an equitable distribution of both risks and benefits associated with mitigation and adaptation.[125]

66. The Scottish Government has explicitly adopted a climate justice approach in its aid spending on climate change, and in 2012, was the first government to set up a dedicated Climate Justice Fund to tackle the effects of climate change. The fund will spend up to £21 million on climate justice related activities between 2012–2021.[126] In a written submission to the Committee, the Scottish Government explained what they considered to be the value of adopting this approach:

> Looking at international development through the lens of Climate Justice helps ensure that communities are engaged to actively participate in projects and programmes that will help them become more resilient to climate change.

They added:

> As well as supporting people become more resilient to climate change, this also means that Scotland's climate justice budget is focused most sharply where it is most needed.[127]

67. We asked Ministers in oral evidence whether the UK had considered similarly adopting a 'climate justice' approach to spending ICF. Minister Perry responded:

> The language that governs us more is "leave no one behind", because there are issues of transition in developed countries too; you have tens of thousands of coalminers in Poland who are worried about what they will do as the country moves away from coal.[128]

68. **Spending international climate finance does not necessarily reduce poverty. Some strategies which aim to address the causes of climate change can have a harmful impact on the poorest and most vulnerable. As well as being an unacceptable use of the aid budget, this also renders climate finance less effective by reducing adaptive capacity. The UK should recognise and be alive to these potential trade-offs in order to manage and avoid unintended, potentially harmful outcomes. *The most effective way***

123 *Ibid.*
124 *Ibid.*
125 *Ibid.*
126 Scottish Government (CCC0036)
127 *Ibid*
128 Q202

for the Government to spend climate finance and avoid trade-offs is to ensure poverty reduction is a central pillar in all ICF spending. This means that all departments should be able to demonstrate explicitly how their ICF spending reduces poverty and benefits the most vulnerable, and this should be actively tracked and reported as part of the monitoring and evaluation of ICF spending.

69. **In terms of developing policies and designing programmes, the concepts of climate compatible development and climate justice provide helpful guidelines for ensuring that climate finance brings maximum benefits for addressing both the causes and impacts of climate change whilst promoting sustainable development.** ***The Government should explicitly adopt these approaches and be guided by them in policy development and programme design.***

The balance between mitigation and adaptation

70. As a signatory to the Paris Agreement, the UK has committed to aim for a balance in its climate finance contributions between finance for mitigation (reducing greenhouse gas emissions to limit further climate change) and finance for adaptation (supporting developing countries to adapt to the impacts of climate change). Globally, adaptation is severely underfinanced. IIED told us that "only 20 per cent of climate finance goes to adaptation, instead of the balance promised under the Paris Agreement".[129] According to Oxfam's analysis of adaptation finance for their 'Shadow report on climate finance 2018',[130] in 2015 and 2016 "only 20% of climate finance was allocated to adaptation, only around a quarter was in the form of grants, and only around 18% went to Least Developed Countries".[131] Dr Angela Falconer, Associate Director of the Climate Policy Initiative, told us in oral evidence that:

> We see only $22 billion of that $520 billion globally [of climate finance flows] being spent on adaptation, which is way below what is needed. The UN gap report shows that we need almost $300 billion per year by 2030 to be spent on adaptation.[132]

71. The UK Government explicitly aims to achieve an even balance between mitigation and adaptation finance.[133] According to written evidence from E3G, the UK's most recent Biennial Report to the UNFCCC shows that the UK is meeting this commitment.[134] Numerous submissions to the inquiry, particularly from NGOs, welcomed the fact that the UK has committed to spending 50% of its climate finance on adaptation.[135] CAFOD suggests that the UK can use this commitment to act as a role model to others, "and encourage peer countries and multilateral development banks to ensure greater balance

129 International Institute for Environment and Development (IIED) (CCC0026)
130 Carty T. and Le Comte A. (2018) Shadow report on climate finance 2018.
131 Oxfam GB (CCC0017)
132 Q132
133 https://www.gov.uk/guidance/international-climate-finance
134 E3g (CCC0035)
135 See for example, Catholic Agency for Overseas Development (CAFOD) (CCC0009); WWF (CCC0012); Christian Aid (CCC0016); Oxfam GB (CCC0017); Bond (CCC0018); Marie Stopes International (CCC0020).

in their climate finance".[136] Other organisations advised that, while the commitment is commendable, the UK should not limit itself to spending 50% on adaptation finance and encouraged the Government to do more to support adaptation.[137]

72. Other evidence to the inquiry questioned whether the distinction between mitigation and adaptation is helpful. Dr Helena Wright from E3G told us:

> we may not need to see these as individual silos of investment, because to meet the Paris climate goals we need to be mainstreaming both adaptation and mitigation across the UK's overseas spending and aid portfolio. It might be a bit of a red herring to focus on this.[138]

Professor Forsyth agreed that the distinction needs rethinking,[139] as did the Grantham Research Institute, who said that "mitigation and adaptation should be considered together and international development programmes designed, financed and allocated accordingly".[140] In support of this, they presented research by Conway et al. (2018)[141] which found that:

> the majority of current and planned hydroelectric power stations in eastern and southern Africa will be located in the same rainfall zones. These stations will therefore be exposed to the same future climatic fluctuations and potential effects of climate change. This will in turn influence their electricity generation capacity, and power shortages could have knock-on socioeconomic effects that would affect development in some of the most vulnerable countries in which UK aid is spent. Therefore, hydropower investments in these regions have to consider both their potential to mitigate emissions, but also include the design and implementation of strategies to adapt to future climate change impacts to support their effective functioning and energy security.[142]

The Institute advised that such an approach also applies to other sectors such as transport and infrastructure. Dr Rebecca Nadin from ODI similarly warned, "there need to be those synergies and projects where you can have mitigation and adaptation co-benefits, rather than creating potential maladaptation down the line".[143]

73. Notably, an approach to climate programming which considers mitigation and adaptation simultaneously is captured by the concept of 'climate compatible development', which we advocate for above. Climate compatible development "moves beyond the traditional separation of adaptation, mitigation and development strategies" and asks policy makers "to consider 'triple win' strategies that result in low emissions, build resilience and promote development simultaneously".[144] In her written evidence, Dr

136 Catholic Agency for Overseas Development (CAFOD) (CCC0009)
137 See for example, ActionAid (CCC0003); Oxfam GB (CCC0017); Bond (CCC0018)
138 Q134
139 Professor of Environment and Development Tim Forsyth (CCC0002)
140 Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014)
141 Conway D, Curran P, and Gannon KE (2018) Climate risks to hydropower supply in eastern and southern Africa. Grantham Research Institute on Climate Change and the Environment.
142 Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014)
143 Q7
144 https://cdkn.org/wp-content/uploads/2012/10/CDKN-CCD-Planning_english.pdf

Kate Schreckenberg told us that DFID should adopt this kind of 'triple win' approach, particularly in relation to the forest sector, where programming should be designed to "contribute to livelihoods, adaptation and mitigation in an integrated manner".[145]

74. The Government is not currently spending the vast majority of its International Climate Finance in this integrated way. Dr Helena Wright pointed out that "the portion of UK climate finance labelled as 'cross-cutting' fell from 2015 to 2016 to £0.9m and was only a tiny portion of the total climate finance reported in 2016".[146] She suggested to us that the UK Government should "scale up 'cross-cutting' climate finance which meets both mitigation and adaptation objectives" in order to make the best use of resources.[147]

75. **The UK Government is setting a good example internationally by adopting and meeting its commitment under the Paris Agreement to spend 50% of International Climate Finance on adaptation.** ***This should be maintained in the next spending period.***

76. **However, whilst the international reporting requirements for climate finance are structured around the distinction between mitigation and adaptation, the Government should not be restrained by this framing when it comes to designing policies and programmes.** ***The Government should consider mitigation and adaptation strategies simultaneously. These should be integrated in ICF funded programmes, together with sustainable development objectives.***

Climate programme cycles

77. In both the written and oral evidence, and during our visit to East Africa, witnesses and stakeholders raised concerns with us about the length of DFID's programme cycles on climate change. Christian Aid's written evidence set out why they see this as an issue for programming on adaptation:

> It is broadly accepted that, in order to ensure that programming is adaptation-relevant, programming requires phases of 4–6 years and project duration of ideally 8 years or more. This enables consistency with the ongoing processes of climate change, the risk management priorities of the most vulnerable (and other risk-management stakeholders), and the technical/logistical realities of project implementation, including proof-of-concept requirements. It is regrettable that while multilateral agencies often [do] meet these requirements, DFID's approach to NGO funding in contrast has been to progressively shorten project cycles–this is not best practice and must be improved.[148]

They warned that DFID's "tendency towards shorter project cycles of 2–3 years has significantly reduced project impact … " and provided three examples of DFID climate programmes which they believe would have benefited from longer programme cycles:

> - Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) - 3-year programme cycle with a 1-year extension for a reduced number of implementing partners.

145 Dr Kate Schreckenberg (CCC0031)
146 E3G (CCC0035)
147 *Ibid*
148 Christian Aid Annex A (CCC0029)

- Programme Partnership Agreement–3-year programme cycle, which was extended twice and is now closed.

- Strengthening Adaptation and Resilience to Climate Change in Kenya Plus [stARK+] - 1–3year cycle with multiple extensions.[149]

78. The Climate and Land Use Alliance similarly argued that ICF programmes on forests are not being given long-term enough commitments. For example, they highlighted the Partnerships for Forests (P4F) programme which has just started, "but suffers from the uncertain, short-term timeframes that currently plague UK bilateral ODA".[150] With regards to capacity building, IIED criticised an "extractive culture of 'fly-in, fly-out' consultancies that deliver short-term, unsustainable skills development at high cost".[151]

79. Minister Baldwin strongly refuted these criticisms in oral evidence to the Committee. She stated that "the average programming that we have, for example, within International Climate Finance is six to seven years. That seems to me to be a reasonable length".[152] When presented with Christian Aid's criticisms and specific examples, the Minister responded:

> I would go back to what I just said, which is that the average duration is six to seven years… The BRACED programme has been extended. The process of making sure that we are rigorously evaluating how programmes are performing is one I am sure the Committee would wholeheartedly endorse. I do not particularly recognise or accept those points or criticisms.[153]

Minister Coffey added:

> The Defra portfolio is anywhere between four and 15 years, but our average is about six and a half years.[154]

80. It is not entirely clear whether by "average duration", Minister Baldwin meant the overall length of programmes including renewals, or the average length of time that programmes are planned for at the outset. DFID funding for the BRACED programme was initially awarded as 3-year grants to 15 projects from 2015 to 2018. Some of these projects have been extended until September 2019 as the programme's website makes clear - a three-year term with a one year extension for 9 of the 15 projects.[155] It is therefore difficult to understand why the Minister did not recognise this 'point'. The Committee was told by Christian Aid that long-term planning from the start rather than shorter-term plans followed by renewals makes a difference to how the programmes are implemented:

> It is important to note that, in addition to short project cycles, the use of extensions can also significantly reduce programme effectiveness. Planning for a 5-year phase enables a consistent approach for implementation, staffing, and local relationships across the phase, in contrast to planning for 3 years and then 1 more and then 1 more. Extensions can also include activity changes that are handed down by the donor rather than designed

149 *Ibid*
150 Climate and Land Use Alliance (CLUA) (CCC0001)
151 International Institute for Environment and Development (IIED) (CCC0026)
152 Q192
153 Q193 [Harriett Baldwin MP]
154 Q193 [Dr Thérèse Coffey MP]
155 http://www.braced.org/about/about-the-projects/

by participants and are evaluation-led. Therefore, extensions can often lead to instability, staff loss, reduced impact, and confusion on the part of implementers, partners, local government and other stakeholders.[156]

156 Christian Aid Annex A (CCC0029)

81. Previous appraisals of DFID programmes have highlighted the shortcomings of creating a programme structure that inhibits long-term thinking. For example, the project completion review of DFID's eight-year "Climate and Development Knowledge Network' (CDKN) programme, concluded that due to a series of fixed break clauses, the programme had been compelled towards a short-term approach, when what was required was predictable resources and stable in-country teams, to allow for relationship building and capacity building. The review concluded that:

> The CDKN contract (and the way risk was managed within it through break clauses) did not encourage or facilitate this approach to relationship building and a longer-term perspective on programming, nor did it encourage a similar approach to capacity building of beneficiaries.[157]

82. We also heard the related criticism that programmes that have been shown to be effective and have good outcomes are sometimes brought to a close by DFID rather than scaled up. Dr Alison Doig from Christian Aid told us about the Enhancing Community Resilience Programme (ECRP), which involved working with communities in Malawi to enhance climate resilience and for which Christian Aid was an implementing partner.[158] Dr Doig told us that despite getting strong results, DFID had ended this programme. She did not feel the good outcomes had been capitalised on:

> Unfortunately, having got an A* rating off DFID, that fund has now been pulled … If you are going to pull money, you need to phase out. You need to leave some legacy there.[159]

83. Clare Shakya from IIED talked about how DFID had ended its support for a programme focused on devolved climate finance - which IIED was also involved in - at the point that the recipient countries were hoping to scale up the work:

> One thing we know that has been really effective and that other countries have been replicating has been some work in Kenya and Tanzania, where DFID supported devolved climate finance, getting down to the local level … DFID has completely withdrawn from the Kenya work just as the Government have said, "Let's take it national." Just as the Tanzanian Government have said, "Take it national," they have withdrawn.[160]

84. In Kenya we met the County Governor of Makueni, one of the participating counties, as well as community leaders responsible for implementing devolved climate finance. We also had the opportunity to spend time with a community in Makueni that had participated in the StARCK+ programme. They showed us the water rock catchment mechanism that had been built with climate finance, and from which their community was benefiting. We were impressed by the local ownership of this project, and the clear direct benefits that it was having for the community.

85. The StARCK+ programme has now been closed. In follow-up written evidence to the Committee, DFID told us that:

157 *Op. cit.*
158 https://devtracker.dfid.gov.uk/projects/GB-1–201196
159 Q67 [Dr Alison Doig]
160 Q25

> DFID and HMG are continuing to support several elements that were part of StARCK+ through different programmes, but not through a standalone bilateral climate change programme in Kenya.[161]

We asked why DFID did not want to take forward and scale up the StARCK+ work. They responded:

> StARCK+ was already a follow-on programme to, and had taken forward aspects of, an earlier bilateral climate change programme in Kenya (StARCK). StARCK+ was not extended because:
>
> 1. The original intention of the programme was to be time-limited, with the model and initiatives taken up by others and/or integrated into institutions going forward–much of which was achieved as described above; and
>
> 2. A strategic decision was made by DFID Kenya to reduce the complexity of its bilateral portfolio and enhance the approach to mainstreaming climate change by leveraging the wide range of centrally managed programmes and other HMG initiatives …[162]

86. We heard from Clare Shakya, who is also formerly a senior climate change adviser at DFID, that the uplift in ICF spending in 2020/21, the final year of this spending period, was initially intended to allow an increase in financial support for programmes that had been built up over time:

> It was intended strategically to build up slowly … The idea was to build the systems, the institutions, that could absorb greater finance and then have the finance arrive in that final bit. That brilliant plan disappeared, it seems.[163]

Whilst DFID told us that they are continuing to support elements of StARCK+ through different programmes, this approach does not mirror the strategy set out by Clare Shakya, whereby successful programmes would be grown and scaled up, rather than taken apart.

87. **DFID is not doing enough long-term planning when it comes to climate programming. Even when programmes are renewed, this is not always planned for at an early stage, which limits how effectively partners can use the injection of funding.** ***DFID needs to shift to a more long-term approach whereby longer programme cycles are set out from the start, providing greater certainty and opportunity for strategic planning. This should not preclude ongoing robust evaluation and a flexible approach that allows for programmes to be adjusted and refined during implementation, to ensure the best outcomes.***

88. **The evidence points towards a tendency for successful climate programmes to be drawn to a close, rather than scaled up. This seems to be driven, at least in part, by the desire to mainstream climate across the portfolio, but we are concerned that this comes at the expense of expanding and growing effective programmes, which could have high impact.** ***DFID should use the uplift of climate finance in 2020/21 to scale up successful climate programmes in order to fully realise and maximise the potential benefits of the valuable work that DFID has invested in over this spending period.***

161 Department for International Development (Annex A) (CCC0030)
162 Department for International Development (Annex A) (CCC0030)
163 Dr Ayesha Siddiqi, Royal Holloway University of London & Dr Amiera Sawas, ActionAid UK (CCC0025)

Engaging the private sector

89. Witnesses to the inquiry set out clearly why it is so important to engage the private sector and leverage private sector finance towards climate action. Firstly, we heard that the amount of climate finance provided through public sources is simply not enough. Leveraging private sector finance is vital to meet climate finance needs.[164] Secondly as set out by Professor Fankhauser, Director of the Grantham Research Institute on Climate Change and the Environment, the vast majority of the world's capital investment is private sector capital, and unless this capital is low carbon and climate resilient, "we are forever running behind … ".[165] He set out the numbers that illustrate this:

> there is an estimate that says about $5 trillion a year will be invested globally in infrastructure. The climate finance numbers we talk about—the public commitment to climate finance—is around $100 billion, so 50 times less, and this just shows the relative magnitudes of these things. Unless we can change the $5 trillion, we are not going to solve the problem.[166]

90. Evidence to the inquiry indicated that ODA can play an important role in helping to attract private finance into places it would not otherwise go. For example, IIED said in written evidence that as the least developed countries may struggle to attract private sector investment on their own, public funds can play an incentivising role.[167] In particular, public finance can play a role in reducing risk for the private sector. Dr Angela Falconer, Associate Director of the Climate Policy Initiative, identified governance risk as a key barrier to climate finance from private sources in fragile contexts, but said that "guarantees and technical assistance support to move into those riskier markets can be a key role for the public sector".[168] Nick Mabey from E3G suggested that the UK could leverage more private finance for climate by taking "more risk on our Government balance sheet through the multilateral development institutions, such as the World Bank".[169]

91. Other evidence pointed to the role that the UK can play in creating an enabling environment for business. Anshul Patel, the Chief Commercial Officer for BBOXX Ltd, a private company providing clean energy to off-grid communities in developing countries, told us:

> I would be looking for things such as the policies and reforms around climate change in the markets that we operate, driving the agendas into the local Governments, and actually helping to create those enabling environments for us to operate sustainably whether we are a local business or an international business.[170]

92. The Government's written evidence to the Committee touches upon some of the things the UK has done to mobilise private finance for climate action. According to the submission:

164 See, for example, Q4 [Clare Shakya]; Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
165 Q32
166 *Ibid.*
167 International Institute for Environment and Development (IIED) (CCC0026)
168 Q137
169 Q4 [Nick Mabey]
170 Q33

- Between 2011/12 and 2017/18, ICF programmes have mobilised £910 million private finance for climate change purposes in developing countries (in addition to £3.3 billion public finance).

- As a Board Member and major contributor to several multi-lateral agencies helping to tackle climate change, UK uses its influence and expertise to drive ambition, both on the quality of their investments and in leveraging financial flows from private sources.

- Bilaterally our work in MICs has a clear focus on overcoming market barriers that will unlock private finance, supporting the greening of their investments both at home and abroad and demonstrating impact - with the ultimate aim of shifting these countries from being recipients to donors of climate finance.[171]

93. Witnesses to the inquiry also highlighted some of the work that the UK has been doing to engage and mobilise the private sector. For example, Dr Falconer talked about work being done on an innovation lab, with support from the UK Government, to develop "blended finance vehicles" to mobilise private investment into areas where the risks would otherwise be too high.[172] Andrew Mitchell, Founder and Senior Adviser of Global Canopy, outlined how DFID funding had supported the 'Forest Footprint Disclosure Project', which now has "210 major companies worldwide disclosing their forest footprint".[173] Anshul Patel highlighted that crowdfunding platforms have been enabled by DFID initiatives and are "unlocking capital for BBOXX and partners and competitors in a way that has not been done before".[174]

94. However, we heard that there is more that the UK can do to engage the private sector, particularly around disclosures. Dr Helena Wright, from E3G, suggested that the UK could follow the example of the World Bank in this regard.

> There has been some really good progress from the development banks. One area I would point to, for example, is the IFC [International Finance Corporation], which is the World Bank's private sector arm. It is trying to green its equity portfolio, which could be quite transformational, in requiring, for example, equity clients to report on their coal exposure. That example could be quite relevant to the CDC Group or for the UK, as part of the Powering Past Coal Alliance commitment, in helping to drive a green shift in the financial sector and implementing the recommendations of the Task Force on Climate-related Financial Disclosures, which was led by Mark Carney.[175]

The Task Force on Climate-related Financial Disclosures was set up in 2015 by the G20's Financial Stability Board (FSB) to develop "voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders".[176] They made their recommendations in June 2017.[177]

171 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
172 Q137
173 Q95
174 Q37
175 Q145
176 https://www.fsb-tcfd.org/about/
177 https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

95. Additionally, witnesses emphasised the importance of ensuring that the UK is not just tracking the amount of private finance that is unlocked, but also the extent to which this reaches the areas where it is most needed. For example, Anshul Patel said:

> I would like to see more around not just unlocking capital but unlocking capital at a local level as well. Speaking from my experience with all DFIs, I have not seen much traction in how that is mobilised. As the professor says, there is definitely capital available. However, if I look at our conversations that we have had with local institutions or banks in the likes of Kenya, Rwanda or any other country, for us as a business or even some of our competitors it is extremely difficult, if not impossible, to achieve those to get access to that capital.[178]

96. **Development assistance and private finance need to play complementary roles. Leveraging private finance is vital in terms of the global reach of climate finance. UK aid has an important role to play in mobilising more private sector finance towards climate activities, and into areas and markets where private capital is needed but would not ordinarily go. We were pleased to hear that the UK has been supporting some innovative work in this area.** ***The Government should ensure that they are tracking not just the amount of private finance that is mobilised but also whether this is being accessed by those who need it most. This should form part of the Government's efforts to demonstrate explicitly how climate finance spend reduces poverty and benefits the most vulnerable, in line with our recommendation for how the Government should be conducting monitoring and evaluation of ICF spending.***

97. **There is a great deal that needs to be done to encourage global private finance flows to become low carbon and climate resilient. Development assistance can play an important role in growing this climate sensitivity in the private sector. We heard that DFID has successfully supported increased private sector transparency in relation to forest footprints but there is more that the UK could be doing in promoting financial disclosures.** ***We recommend that the CDC follow the example of the International Finance Corporation and require equity clients to report coal exposure.***

Mainstreaming climate finance

98. DFID is increasingly "mainstreaming" or integrating climate finance within its wider portfolio. This means that ICF is being allocated to projects according to the proportion of that project which is deemed to relate to climate change. The Independent Commission for Aid Impact (ICAI) recently published a review of UK aid for low carbon development in which they set out how this process is affecting the distribution of ICF funding in practice:

> While DFID still has a number of dedicated climate programmes, including three multilateral contributions and some substantial programmes in the area of renewable energy (that are 100% funded by UK International Climate Finance), for many programmes UK International Climate Finance often comprises only a minor share of the expenditure. (For example, a major health programme might include a small component equipping rural

178 Q49 [Anshul Patel]

> health clinics with solar energy.) DFID's £354 million expenditure on low-carbon development […] over the past two years is therefore spread across 92 DFID programmes in multiple sectors.[179]

99. ICAI's report concludes that "DFID's approach to integrating climate finance has fallen short of its ambitions" and highlights "significant concerns" about the approach that DFID has taken to integrating low-carbon development across DFID's portfolio. In particular, ICAI highlight the lack of strategic direction from leadership and from internal guidance around how this is to be pursued, and what sectors are to be prioritised.[180]

100. Notably, evidence to the inquiry has questioned whether the way in which the International Climate Finance budget is being used to mainstream climate change across DFID's portfolio is fundamentally the best use of this resource. These criticisms do not question the value of ensuring that all development assistance is climate sensitive, but rather, query whether the ICF budget should be used in support of this. They suggest that, instead, the climate finance budget could be better used in support of more strategic objectives. For example, Christian Aid wrote:

> The UK Government should stop mainstreaming the ICF and "salami-slicing" projects according to their climate-change content. Instead, start using the ICF as a strategic, transformative climate facility that drives forward both the innovation and scale-up needed for climate resilience and combating energy poverty, and the mainstreaming of climate risk management in all other ODA-supported work.[181]

They elaborated:

> Currently the ICF is allocated on a percentage basis to projects depending on the attribution of their activities to climate change. This is argued on the basis of "mainstreaming" but ends up looking like a retrospective accountancy approach designed to allocate as much spending as possible to the ICF to meet its target of £5.8 billion for the period 2016 - 2020. This undermines the strategic value of the fund, which should be taking on the big, transformative adaptation and mitigation challenges and driving the mainstreaming agenda through all other aid spending.[182]

101. Dr Alison Doig from Christian Aid stressed in oral evidence that the type of mainstreaming that DFID is using ICF to fund should be happening regardless of the existence of the climate finance budget:

> Every single bit of international development spending should be climate-proofed. It should not need climate funding to be resilient; it is absolute business sense to be climate resilient. If you are investing in infrastructure and in agriculture, you have to predict for five, 10 or 15 years' time. If you are investing in energy, you have to make sure that it is not adding to the problem. If you have an economic strategy that does not stop climate change, you have a wrong and flawed economic strategy.[183]

179 https://icai.independent.gov.uk/wp-content/uploads/International-Climate-Finance-ICAI-review.pdf February 2019

180 *Ibid.*

181 Christian Aid (CCC0016)

182 *Ibid.*

183 Q64

The Bond Development and Environment Group raised their concern that "a lot of traditional development spend is just be being relabelled as climate finance".[184] They argued that "climate change specific programming and investments must be the priority" in order to make the most of the ICF budget.[185]

102. We were told by IIED, that previous DFID climate programmes which focused on growing capacity and building institutions for addressing climate change were transformative and progressive:

> UK has played an important role in helping developing countries innovate in their response to climate change. UK has provided patient and higher-risk investment to support innovative instruments that test how to respond to climate impacts at scale. For example, UK helped Ethiopia and Rwanda—the frontrunner national institutions to accredit with the GCF—to develop national climate funds. Through BRACED, UK has worked with Tanzania's AIM 4 Resilience and Kenya's STARK to support innovative mechanisms for getting climate finance to the local level at scale. These projects introduced Devolved Climate Finance Mechanisms in multiple countries, which are now considering scaling outwards across much greater areas. While other countries supported REDD+, DFID supported a programme in Indonesia on the local communities' rights to manage forests, delivering far better outcomes than the prize-based systems associated with REDD.[186]

103. Clare Shakya, representing IIED in oral evidence to the Committee, suggested that this type of work is no longer being supported by DFID because of the way in which ICF is being used to mainstream climate across DFID's programmes.

> At one point, there was this sense of the rest of the world really looking to how DFID was setting up institutions, supporting national processes and building that national institutional capability to make long-term decisions. Everyone else was looking at that and saying, "How can we do that as well?" We have completely lost the ball. I think that is partly because of the change in the governance of how we run our ICF. The lack of the ambition that is required now means that people can say, "We are doing some agriculture. Surely that should be climate-smart. Let's whack some money in and call it climate finance," and actually not change the programme fundamentally enough to make a real difference. It is becoming more of a greenwash.[187]

104. It is not clear what assessment has been made of the relative benefits of using ICF for integrating climate change across development programming instead of for more transformative climate specific initiatives. Dr Saleemul Huq, Director of the International Centre for Climate Change and Development in Bangladesh, suggested that it was good that DFID was now "trying to embed climate change funding into everything". However, he felt that in Bangladesh, the outcomes of these efforts were not being properly evaluated:

184 Bond Development and Environment Group (DEG) (CCC0018)
185 Bond Development and Environment Group (DEG) (CCC0032)
186 International Institute for Environment and Development (IIED) (CCC0026)
187 Q24

> The problem then becomes about how you track it, because if everybody is supposed to be doing it, who is doing it? A little bit more emphasis on monitoring what we are supporting and figuring out how effective it is going to be is something that would be worthwhile. There could also be a bit more emphasis on studying the results of the investments that have been made.[188]

We were not able to gauge fully from the Minister on what evidential basis the decisions around DFID's approach to integrating climate finance had been made.[189]

105. **We welcome the fact that DFID is seeking to mainstream climate change to ensure that, across the DFID portfolio, programmes are consistent with and supportive of climate resilience and low carbon development. Development programmes that fail to meet this standard will ultimately undermine their own effectiveness. Correspondingly, DFID's programmes will be stronger if they take into account and deliberately address climate change. However, we agree with Christian Aid that mainstreaming should be done as a matter of good practice in all programming, without the use of the International Climate Finance budget. Failing to integrate climate considerations in this way would be flawed development practice, and DFID should not be tapping into the ICF budget to subsidise what it should be doing anyway.** ***Instead of funding the mainstreaming of climate considerations in all DFID's programmes, the ICF budget should be reserved for the strategic goal of achieving transformative outcomes. The new ICF strategy should contain within it a clear articulation of the kind of transformative change that DFID intends to achieve through its climate finance contributions. The impact of ICF should then be measured and evaluated against these goals.***

188 Q87
189 Q191 [Harriett Baldwin MP]

5 Policy coherence on climate change across government

Cross-departmental working on International Climate Finance

106. Three Government Departments are involved in spending International Climate Finance (ICF): the Department for International Development (DFID), the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (Defra). The Government's written evidence to the Committee outlines how the Government seeks to use the "comparative advantages" of the three ICF spending departments:

- BEIS primary focus is on low carbon development in countries with high or growing emissions, with a focus on accelerating decarbonisation, making markets work and halting deforestation.
- DFID focuses on helping countries anticipate and cope with climate change, as well as supporting lower carbon development choices. This includes climate resilient food and water supplies, infrastructure and delivery of essential services, as well as supporting sustainable economic growth.
- Defra focuses on mitigation and adaptation through sustainable natural resource management, food security, and protection of biodiversity with a strong focus on forestry, including mangroves.[190]

107. When asked about the challenges to cross departmental working on ICF, the Ministers stressed that there is significant knowledge-sharing across departments.[191] Minister Coffey also pointed to the ICF management and strategy boards that "meet several times a year" and enable cross-departmental collaboration.[192]

108. However, we heard that more could be done to integrate expertise, particularly on areas that cut across the established remits of departments. For example, IIED's written submission suggested that BEIS's focus on low carbon development in high emitting countries, with DFID's focus on adaptation in the least developed countries, seems to be creating a gap around low carbon development in the least developed countries.[193] The recent Independent Commission for Aid Impact (ICAI) performance review of UK aid for low carbon development found that the "emerging specialism between the departments" is potentially leaving "low-carbon development in low-income countries de-emphasised in the bilateral portfolio, other than in the renewable energy sector", where DFID has a governing policy framework.[194]

109. We also heard that changes to the management and governance structure of the ICF have contributed to a reduction in collaboration across departments. The recent ICAI report sets out clearly the changes that have taken place:

190 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
191 Q203
192 Q203 [Dr Thérèse Coffey MP]
193 International Institute for Environment and Development (IIED) (CCC0026)
194 https://icai.independent.gov.uk/wp-content/uploads/International-Climate-Finance-ICAI-review.pdf

> In the period from 2011 to 2016, the UK's climate finance was disbursed through a cross-government fund, the International Climate Fund. During this period, the three spending departments worked under joint ministerial oversight with a joint board and a secretariat chaired by DFID. Since April 2016, the responsibility for managing spending targets and programmes has been devolved to the three departments, although the portfolio continues to be branded internationally as 'UK International Climate Finance'. It retains a cross-government strategy board, which approves the strategy and oversees coherence with UK government policy, and a management board, which monitors expenditure, delivery and risk.[195]

Clare Shakya, the Climate Change Group Director at IIED, and formerly a senior climate change adviser at DFID, told us that the old process whereby each department was required to sign off on all ICF spending "was clunky and time-consuming", and so it is no longer required under the new governance structures. However, according to Clare Shakya this has had a significant impact on collaboration. She therefore suggests returning to a system that requires departments to "actually look at each other's spend and give advice to each other" but that this should be achieved through "a more streamlined collaborative process".[196] Nick Mabey, Chief Executive of E3G, told us he was concerned that initial efforts to develop a whole-of-Government approach on climate change had been abandoned "because of the first teething troubles with the first approach".[197] He said that the Government could learn from "the work on stability and security about trying to blend together a political understanding, an economic understanding and a development understanding into a whole of-Government approach around priority for UK engagement".[198]

110. **There is room to improve cross-departmental collaboration on International Climate Finance. Whilst there are formal, high-level mechanisms in place for cross-departmental decision-making, and whilst there is an apparent level of informal information sharing between officials, it seems that structural changes to how ICF is administered have had the effect of reducing joint working between departments. This is especially concerning in light of our conclusions on the importance of integrating mitigation and adaptation strategies, with mitigation and adaptation having become the emergent specialisms of BEIS and DFID respectively.** ***The management structures that govern the ICF should be reformed to encourage deeper collaboration and ensure that departments benefit from each other's expertise. The Government should develop a system that involves each department giving more comprehensive consideration to the other departments' ICF spend, to enable greater collaboration and knowledge sharing.***

195 *Ibid.*
196 Q6
197 Q7
198 *Ibid.*

Coherence of wider government policy and spending with ICF

111. In Chapter 4, we considered the evidence that climate programmes do not necessarily contribute to poverty alleviation, and we concluded that climate finance spending should have poverty alleviation as a central pillar, in order to maximise synergies and avoid trade-offs with poverty reduction. During our inquiry, we also heard that efforts to alleviate poverty can have negative impacts on climate change. For example, WWF told us that pursuing the SDGs which relate to industry, infrastructure and innovation require "integrated thinking" as interventions in these areas could have potentially negative impacts on climate change if they are not climate sensitive.[199] The Grantham Research Institute outlined why high-carbon development strategies, whilst they have short-term benefits, will ultimately be damaging:

> While projects of this nature [fossil fuel-based electricity generation] will have developmental benefits in terms of energy security and job creation, they run the risk of locking in long-term unsustainable growth paths. These are also growth paths that have higher greenhouse gas emissions, which could expose these countries or regions to greater climate change impacts in future.

Professor Messner also stressed in his oral evidence that there may be a temptation to pursue high carbon strategies for poverty reduction in the short-term, but that ultimately this would be counter-productive in the long-term as the resulting climate change will raise levels of poverty.[200]

112. We concluded in Chapter 2 that it is not enough for the UK to be spending only International Climate Finance on combating climate change: all aid should have climate change as a priority, due to the fact that climate change affects all other sustainable development goals. The fact that some poverty reduction strategies can also contribute to climate change suggests that there is further need to ensure that all aid spending, both within and outside of DFID, is coherent with the objective of a low carbon, climate resilient future. Christian Aid set out in written evidence the extent to which climate change should be a consideration in all aid spending. They told us that achieving consistency on climate change will require:

> consideration in each program, of inputs (for example whether materials used, and energy inputs required are capable of being sustainably sourced and impacts in building), and outputs (for example does the output itself emit greenhouse gases, such as a fossil power station). Each program should be considered holistically on its own merits, and its aggregate impacts with other existing and planned infrastructure. In general, each program should be looking to support achieving global net zero emissions by 2050 at the latest.[201]

113. We have already identified concerns about the extent to which the Economic Development Strategy in particular, integrates climate change as a strategic priority. As part of the inquiry, we took evidence from the CDC and the Prosperity Fund to examine

199 WWF-UK Annex A (CCC0028)
200 Q161
201 Christian Aid Annex A (CCC0029)

how coherent the work of these ODA spending bodies is with the work of the ICF, and to what extent climate risks and benefits were being taken into account in their funding decisions.

114. Joelle Jenny, Director of the Government's Joint Funds Unit, where the Prosperity Fund sits, stressed on several occasions in the evidence session that the primary objective of the Fund is not addressing climate change, but sustainable economic development.[202] This was presented as a reason why the Prosperity Fund does not track or measure climate impact:

> We do not currently measure direct climate-related action, because this is not the primary objective of the Fund. But where appropriate, for example in any programme that has to do with infrastructure, there is a component where we are very adamant that both the design and the implementation have to take account of transition to low-carbon objectives, being mindful of not having a detrimental impact on the environment. […] The short answer is that we do not exactly measure the climate impact, but it is a subset of delivering what the Fund's objectives are.[203]

115. The Prosperity Fund outlined some positive outcomes of their investments for both mitigation and adaptation to climate change, but their emphasis was on these as welcome co-benefits of investments for sustainable growth, or individual climate related investments, rather than a result of climate change being integrated into decision-making on all investments.[204]

116. The Fund does not currently have any concrete plans to integrate climate considerations across its decision-making processes more comprehensively. It has discussed measuring low carbon targets more closely, but references to this in the evidence session were non-committal:

> We had a discussion at the level of the Prosperity Fund board at the end of last year, where we were reflecting upon this. Is there in the energy sector, which is the most relevant to climate action in the portfolio, a way for us to more systematically measure and track low-carbon targets? This discussion is ongoing.[205]

117. The CDC has adopted a different approach to considering and measuring climate impact. In the CDC's latest strategy, launched in 2017, climate change is listed as one of its four key commitment areas, alongside women's economic empowerment, job quality, skills and leadership.[206] We were struck by the difference in the answers from the CDC, compared to the Prosperity Fund, in response to the Committee's questions about the climate impact of their ODA spend. When asked what proportion of spend supports the use of fossil fuels, the Prosperity Fund replied:

202 See, for example, Q107, Q108, Q112
203 Q108
204 Q107
205 Q110
206 CDC Strategic Framework 2017–2021

Joelle Jenny: We do not have a proportion of spend.

Chris Law: You do not know how much you spend on fossil fuel projects.

Joelle Jenny: No, it is very small. I do not have a proportion.

Chris Law: Could you possibly submit that in writing later on?

Joelle Jenny: I do not believe that we can provide those numbers, for the precise reason that the portfolio is still being designed. I could not tell you now that we have agreed the portfolios as a whole. Many of the activities, particularly for the global programmes, are still in the design phase.[207]

By contrast, when the CDC were asked if they could provide the percentage of spend that supports the use of fossil fuels, they responded:

Colin Buckley: Yes. Our commitment to fossil fuels under the 2017–18 strategy was 4.2%, which compares to 13% in 2016, the year before we adopted the climate change strategic initiative.[208]

When both organisations were asked whether any assessment had been made of the carbon footprint and potential climate impact of their spend, the Prosperity Fund responded:

Joelle Jenny: Of carbon footprint specifically, no. Every programme that is active in the energy sector is being assessed for its environmental impact, but specifically for carbon footprint I would need to check whether we have that. I do not.

Chris Law: Do you have any measures of the potential impact on climate or any other measures that you use?

Joelle Jenny: Each of the programmes active in the energy sectors will be making an assessment of its impact on sustainable growth, but we do not have at the moment specific indicators on carbon footprint.[209]

The CDC replied:

Colin Buckley: We assess the carbon footprint of all our power and carbon-intensive assets. Then that forms part of our due diligence and we monitor that footprint through the life of the investment. For investments that are not power or carbon intensive, we find it more efficient and effective to instead focus on the quantum of energy savings that we can have.[210]

118. The Prosperity Fund later clarified that they did not see it as practical to measure carbon footprint, on the basis that "most of what the fund does has to do with the regulatory environment":

207 Qq119–121
208 Q122
209 Qq123–124
210 Q124

> We know that there will not be sustainable growth that is environmentally friendly unless you change the incentive for financing in order to make it attractive to have capital investment in technologies that will be environmentally sustainable. That is the primary focus. That is most of the delivery. I cannot easily measure the carbon footprint impact of changing the regulatory environment in India, China or Brazil. We cannot easily find the kind of indicators that would satisfy this particular box, but that would not be true to what the fund is designed to deliver, which is primarily sustainable, inclusive growth.[211]

119. Whilst the CDC's efforts to monitor climate impact appear to be comparatively more robust, we also received written evidence that indicated there is more the CDC could be doing to integrate climate considerations in its spending. For example, the Grantham Research Institute argued:

> due to the scale of ODA resource committed to the CDC over the next five years, that institution should be encouraged to develop a more integrated climate change strategy that goes beyond current commitments.[212]

The Institute suggested that the CDC could better meet its commitment on climate change "through developing holistic climate change screening and evaluation processes and policies for *all* projects in which it invests".[213]

120. A robust system of climate screening, in various forms, is mentioned on numerous occasions in the evidence base as something that the Government should adopt and make applicable to all UK aid, to ensure that all spending is aligned with climate change objectives. In addition to the evidence from the Grantham Research Institute, Dr Ayesha Siddiqi from Royal Holloway University of London and Dr Amiera Sawas from ActionAid UK, jointly proposed that the UK Government can learn from Sweden, which has identified climate change, gender and security as cross-cutting issues in its 'Strategy for Sweden's global development cooperation in sustainable social development 2018–2022'.[214] The strategy states that an environmental and climate perspective, alongside gender equality and conflict perspectives, must be "systematically integrated into Sweden's development cooperation".[215] IIED proposed that the UK's Gender Equality Act could act as a model for integrating climate more comprehensively across aid spending:

> We need to consider climate in same ways as the Gender Equality Act ensures we consider gender. Every business case and annual report must be clear on what the contribution is. The minimum contribution is doing no harm, but regular reporting incentivises decisions [to] consider how to deliver the transformative systemic change called for by [the IPCC] 1.5 report.[216]

211 Q127
212 Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014)
213 *Ibid.*
214 Dr Ayesha Siddiqi, Royal Holloway University of London & Dr Amiera Sawas, ActionAid UK (CCC0025)
215 Swedish Ministry of Foreign Affairs (2018) Strategy for Sweden's global development cooperation in sustainable social development 2018–2022 Dr Ayesha Siddiqi, Royal Holloway University of London & Dr Amiera Sawas, ActionAid UK (CCC0025)
216 International Institute for Environment and Development (IIED) (CCC0026)

WWF's submission similarly stressed that climate screening is necessary across aid spending, and that aid should be screened for positive contributions as well as the avoidance of harmful impacts:

> For all DFID and all ODA investments key questions are:
>
> (1) Is this investment compatible with a 1.5 degree level of warming?
>
> (2) Does it help us to adapt to climate change impacts and/or build resilience to climate change impacts?
>
> (3) How does this investment impact on the natural world and the environmental systems, goods and services that people depend on?[217]

121. When we put to the Government the proposal of adopting a system of climate screening applicable to all aid spending, Minister Baldwin accepted that "as far as CDC investments are concerned, we have tasked it to do some further work in terms of its investment guidelines".[218] However, the idea of screening across all aid spending was not welcomed. Minister Coffey said:

> Instinctively […] I would not do that myself. I appreciate this may not be Government policy; we have not discussed this. Making a judgment call on what you are doing about Ebola has nothing to do with climate. There are things you can do from a holistic approach, but having to do another exercise for every single thing I just think is over the top.[219]

Minister Perry agreed:

> I am with Thérèse in terms of looking at the outcome rather than trying to measure the targets along the way. The outcome being the most important thing does work best.[220]

122. **The difference in approaches between the CDC, which considers climate change to be a strategic priority, and the Prosperity Fund, which does not, is reflected in the level of consideration that climate change is given in their respective spending decisions. We are convinced by the arguments that in order to ensure coherence on climate change, all UK aid spending, regardless of which department or fund administers it, should be screened to ensure it is pursuing low carbon, climate resilient, sustainable development.**

123. ***The Government should make explicit that climate change is a strategic priority that is to be integrated into all aid spending. As a first step towards this, the Prosperity Fund should urgently develop an approach that indicates the climate relevance of their investments.***

124. ***The Government should adopt the model of the International Development (Gender Equality) Act 2014 for climate change, to ensure that all development assistance promotes progress towards a climate resilient, low carbon world.***

217 Q28
218 Q207 [Harriett Baldwin MP]
219 *Ibid* [Dr Thérèse Coffey MP]
220 *Ibid* [Rt Hon Claire Perry MP]

ODA and non-ODA support for fossil fuels

125. Research conducted jointly by CAFOD and ODI shows that, between 2010 and 2014, the UK disbursed around £6.13 billion for energy support in developing countries, including £4.201 billion of ODA. Of this ODA support, 22% went to fossil fuels.[221] According to written evidence from Platform, the Prosperity Fund spent approximately £1.8 million on oil and gas projects between 2016–2018 (estimate based on Platform's analysis of FCO data[222]). Platform's submission also states that according to the Prosperity Fund's Annual Report 2016–2017, the Fund financed 13 Oil and Gas projects out of a total of 395 projects.[223]

126. Some submissions to the inquiry, such as those from Platform, CAFOD and WWF, advocate strongly that all ODA support for fossil fuels should be stopped.[224] Other witnesses, whilst in agreement that the UK should transition away from ODA support for fossil fuels, suggested that some limited support for gas may make sense as part of this transition. For example, Professor Messner explains:

> If you look at the emissions of different fossil fuels, coal is worse, and gas is better, so for the transition period gas still plays a role. If we reflect upon and then develop, for each country, roadmaps towards decarbonisation, gas in this transition period towards decarbonisation is the better alternative compared to coal.[225]

In relation to whether it makes sense to continue investing in gas infrastructure, Professor Messner indicated that investments can play a role in transition, but only in transition:

> The next generation of infrastructures in the energy field need to be linked with decarbonisation towards zero in 2050 and this implies that from country to country we need to think about how to make these transitions possible. Gas can play a role as a transition investment, but in 2050 it needs to be phased out then, if we would like to make it compatible with 1.5 to 2 degrees global warming.[226]

127. In oral evidence Government Ministers emphasised the role that gas can play as a means for transitioning away from more harmful fossil fuels such as coal. Minister Baldwin said:

> Where I see a company in Ghana, for example, that is looking to bring in liquefied gas so that it can help move people off charcoal as a cooking medium, I think that is progress. We need to recognise that there may be examples like that and, therefore, we should look at it on a case-by-case basis.[227]

221 CAFOD and ODI (2017) UK support for energy in developing countries 2010–14
222 https://www.gov.uk/government/publications/official-development-assistance-oda-fco-prosperity- fund-spend
223 Platform (CCC0007)
224 Platform (CCC0007); Catholic Agency for Overseas Development (CAFOD) (CCC0009); WWF (CCC0012)
225 Q162
226 *Ibid.*
227 Q205

128. Colin Buckley, Chief Operating Officer of the CDC also reflected this approach, telling the Committee that the CDC "will only do a fossil fuel investment where it is consistent with the nationally determined contribution and represents a step forward to a low emissions future".[228] He insisted that any investments in the CDC portfolio that did not fit this mould had been made prior to 2012 and were in the process of being phased out: "We would expect all of those legacy investments to be out of our portfolio shortly".[229] Joelle Jenny, representing the Prosperity Fund, took a similar approach:

> The only small programmes we have are in the spirit of supporting the transition towards less damaging sources of energy. This is being kept under continuous review by the portfolio management board, and we are open to seeing in future whether this is to continue or to be terminated.[230]

129. It is not evident from these responses how strongly the ultimate goal of net zero emissions by 2050 is driving this transitional fossil fuel support, and how far these strict time-frames are being integrated into investment decisions. Reflecting again on the Prosperity Fund's inability to report how much of their overall ODA spend is going towards fossil fuel projects,[231] the extent to which this support for fossil fuels is being delivered as part of a strategic approach towards net zero emissions is unclear. We expressed this concern to the Government Ministers and asked to what extent the Government was planning for the transition beyond gas, when making large gas infrastructure investments. Minister Perry responded:

> I cannot answer that specifically, but I can say that obviously the projects are considered on their economic merits. We are really talking about export finance rather than our financial portfolios, which do not really invest in these large-scale infrastructure projects, and of course that risk of stranded assets must be baked into the economic analysis of those projects. […][232]

130. Dr Rebecca Nadin, Head of Risk and Resilience at the Overseas Development Institute (ODI) told us that having a clear strategy in place for transition was crucial, and this should be embedded into programmes.[233]

131. In addition to criticisms around ODA support for fossil fuels, we also received a number of submissions that highlighted the UK's non-ODA support for fossil fuels in developing countries through UK Export Finance (UKEF). Global Witness argued that by facilitating fossil fuel extraction, UKEF is locking countries into high-carbon development, and undermining the work of DFID and the ICF.[234] Using data from Unearthed and Private Eye, Global Witness pointed out that the £4.8 billion total UKEF support for fossil fuel projects from 2010–16[235] is equal to the UK's total spend on its International Climate Fund for a similar period, 2011–17, which came to £4.9 billion.[236] They emphasised that this leads to a situation where "the UK government is providing

228 Q117 [Colin Buckley]
229 Q118 [Colin Buckley]
230 Q118 [Joelle Jenny]
231 See Qq119–121
232 Q206
233 Q14
234 Global Witness (CCC0008)
235 Unearthed, April 2017, 'Revealed: UK provides billions in credit to fossil fuel industry despite clean energy pledge,' https://unearthed.greenpeace.org/2017/04/19/uk-trade-billions-export-finance-fossil/
236 Global Witness (CCC0008)

climate aid with one hand, and exporting the UK's fossil fuel pollution with the other, all the while undermining its climate action credentials".[237] The Overseas Development Institute, the Bond Development and Environment Group, and E3G all raised the issue of UK Export Finance support for fossil fuels in their written submissions.[238] Notably, the former UN Secretary General, Ban Ki-moon, wrote in a comment piece in the Guardian newspaper in February 2019, that he was deeply concerned about UKEF's support for fossil fuels, referencing the comparative figures with ICF spending, also brought to our attention by Global Witness. He said, "these figures and policies are hard to reconcile with the UK's commitments under the Paris agreement".[239]

132. When asked whether UK Export Finance support for upstream oil and gas in developing countries was undermining efforts by BEIS to promote low carbon development, Minister Perry did not respond directly on the issue of coherence, but emphasised the UK's efforts to move away from support for coal. She highlighted that whilst support for fossil fuel exports has "dropped fourfold" between 2017 and 2018, "our support for exports for renewables has tripled".[240] Written evidence from UK Export Finance to the Environmental Audit Committee shows that much of these changes come from an overall decrease in support to the energy sector by UKEF and, within that, an increase in support for renewable projects in high-income countries. For low- and middle-income countries, notably, UK Export Finance's figures show that in 2017/18, fossil fuels made up 99.4%, and renewables 0.6%, of UK Export Finance's energy support (£178 million and £1 million respectively). This pattern is reflected over the longer term. Between 2013/14 and 2017/18, in low- and middle- income countries, UK Export Finance provided £2,360 million worth of support for exports in the fossil fuel energy sector, and less than £2 million worth of support for exports in the renewables sector.[241]

133. Global Witness recommended that UK Export Finance should phase out its current investments and support the transition away from fossil fuels to clean energy. They told us that the UK can learn from the French, German and Danish export credit agencies which all support "significant amounts of renewable energy" as well as the Swedish export credit agency which recently reported that it did not lend to any fossil fuel projects in 2015 or 2016.[242]

134. We welcome the inquiry currently being conducted by the Environmental Audit Committee into the scale and impact of UKEF's financing of fossil fuels in low and middle-income countries, and we look forward to that Committee's report and recommendations.

135. UK Export Finance was not the only area of non-aid spending that was questioned or criticised in the evidence, on the basis that domestic UK policies should support the aims and goals of international climate finance. For example, Dr Kate Schreckenberg argued for reviewing domestic policies in relation to forest protection and for "recognising the connections between consumption patterns in the Global North and impacts on people and the environment in the Global South".[243] Christian Aid warned that "the UK's well-

237 *Ibid.*
238 Overseas Development Institute (CCC0021); BOND Development and Environment Group (DEG) (CCC0032); E3g (CCC0035)
239 The Guardian, 24 February 2019, 'UK must stop investing in fossil fuels in developing countries'
240 Q204
241 Written evidence submitted to the Environmental Audit Committee by UK Export Finance (EXF0028)
242 Global Witness (CCC0008)
243 Dr Kate Schreckenberg (CCC0031)

deserved international reputation as a climate leader is pinned on its continued domestic progress" on climate change. For both Christian Aid and Tearfund, this means adopting a legally binding target of net zero emissions in the UK by 2050.[244] We note that the Committee on Climate Change will be providing new advice to the UK Government on the UK's long-term climate change targets, to be published at the start of May 2019, although the nature of this advice is unknown at the time of writing.[245]

136. **The only context in which it is acceptable for UK aid to be spent on fossil fuels is if this spend is ultimately in support of a transition away from fossil fuels and as part of a strategy to pursue net zero global emissions by 2050.** ***In each case where ODA is supporting fossil fuels, the Government must be able to (i) demonstrate how that spend supports such a transition to zero emissions, and (ii) outline a plan for how that transition will be achieved and in what timeframe.***

137. **Any financial support for fossil fuels that does not meet these criteria - regardless of whether it is ODA or non-ODA - undermines the Government's International Climate Finance spend. Currently, the support provided to the fossil fuel economy in developing countries by UK Export Finance is damaging the coherence of the Government's approach to combating climate change and this needs to be urgently rectified.**

244 Tearfund (CCC0015); Christian Aid (CCC0016)
245 https://www.theccc.org.uk/coming-up/

6 UK international leadership on climate change

Multilateral climate funds

The Green Climate Fund

138. The Green Climate Fund (GCF) is "the main dedicated multilateral vehicle for supporting the Paris Agreement and contributing to the $100bn climate finance goal".[246] The GCF was established in 2010 under the UN Framework Convention on Climate Change (UNFCCC), and is headquartered in the Republic of Korea. It is governed by a 24-member Board, with representatives from 12 developed and 12 developing countries, and operates on consensus-based decisions. It finances both mitigation and adaptation to climate change. The fund received $10.3bn in initial pledges, of which the UK contributed £720m.[247] It is currently pursuing its first replenishment.

139. We received written submissions that welcomed the balanced governance structure of the GCF and its transparency,[248] but some evidence drew attention to uncertainty around funding and the ability of the GCF to operate. Water Aid wrote, "The spirit of the Green Climate Fund is a positive step, but in the face of questions over continuing donor support and contributions, its purpose and future capability remains precarious".[249] In addition, disbursements have initially been slow[250] and there have been reports of disagreements between the Board members representing developed and developing countries,[251] although the recent meeting of the Board in February 2019 is reported to have run more smoothly.[252]

140. We heard that accessing climate finance through the GCF can be challenging for developing countries with low capacity for responding to climate change, as the "high environmental, social, governance and fiduciary standards" mean that the GCF only provides "late-stage" financing - finance that goes to institutions with a proven-track record.[253] The Glasgow Caledonian University Climate Justice Centre agreed that "the current UNFCCC climate finance structure makes it difficult for developing countries to access finance, and discourages local-level involvement". As a result, the projects that are being funded are predominantly "large-scale projects with little benefit to recipient countries".[254] The Climate Justice Centre argues that funds like the GCF should have better direct access mechanisms.[255] IIED recommends that the UK should play a role in improving national and community level access to GCF funds from developing countries.

246 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
247 *Ibid.*
248 See, for example, ActionAid (CCC0003); Christian Aid (CCC0016)
249 WaterAid (CCC0010)
250 https://www.nytimes.com/2018/09/09/world/asia/green-climate-fund-global-warming.html 'Rich countries vowed billions for climate change. Poor countries are waiting', Sept 2018
251 Devex, At the UN's Green Climate Fund, the honeymoon is over, July 2018
252 Reuters, Green Climate Fund says 'in great shape' to push for new cash, February 2019
253 International Institute for Environment and Development (IIED) (CCC0026)
254 Glasgow Caledonian University Centre for Climate Justice (CCC0034)
255 *Ibid.*

> UK should use its position on Green Climate Fund (GCF) board to re-define the design principles of climate funds by reshaping the investment framework to ensure poorer countries, bottom-up national intermediaries and community-based projects have more access to GCF funds.[256]

141. The Government's written evidence to the inquiry outlined how the UK has been seeking to improve the effectiveness of the GCF:

> The UK is working hard, with others, to shape the GCF into a fully effective organisation. We are using our position on the Board to play a leading role in driving forward organisation-wide reforms and improvements. These include adopting better decision-making processes, improving the efficiency of its Board, ensuring a robust focus on results, targeting resources appropriately, and improving how the Fund engages with private sector partners.[257]

Indeed, the Government is now well-placed to influence these improvements, as the UK currently holds the position of co-chair of the GCF Board. Minister Perry told us that she was pleased with the Government's efforts to improve the GCF:

> One of the things I am really proud of is how we have really engaged with the challenges of, say, the governance of the Green Climate Fund, where, again, we are very much trying to steer that fund to make the right investment decisions.[258]

142. We heard that improvements at the GCF are being seen. Dr Angela Falconer, Associate Director of the Climate Policy Initiative, told us that efforts have been made "to set up an investment framework for the GCF that supports the most impactful projects, supporting country ownership as well as impact in terms of emission reductions and resilience". There is still more that can be done, but "significant progress has been made already".[259]

Climate Investment Funds

143. Established in 2008, the Climate Investment Funds (CIFs) are a set of World Bank managed trust funds implemented through five multilateral development banks and funded by a group of 14 donors. The UK is the largest donor to the CIFs, with contributions of over $2 billion.[260] DFID's Multilateral Development Review in 2016 rated the CIFs 'good' both for match with UK development objectives and organisational strength.[261] According to DFID's written evidence, the CIFs have built a portfolio of over 300 investments in 72 developing countries since 2008, delivering tangible outcomes such as contributing to over 3 gigawatts of new renewable energy capacity.[262]

256 International Institute for Environment and Development (IIED) (CCC0026)
257 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)
258 Q173 [Rt Hon Claire Perry MP]
259 Q151
260 Q133; see also https://www.climateinvestmentfunds.org/finances
261 DFID (2016) Multilateral Development Review
262 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)

144. We have received mixed evidence about the value of the CIFs. Christian Aid described the CIFs as having "varied success in delivering climate mitigation and adaptation funding", and criticised in particular the spending on adaptation, which is significantly lower than the funding allocated to mitigation.[263] In their written submission, ActionAid gave the CIFs as an example of a multilateral climate finance mechanism that does not meet "climate justice principles such as democratic governance, community participation and no economic conditionality".[264] In early 2019 the CIFs marked their 10 year anniversary in Morocco, which involved the launch of a report by the Overseas Development Institute (ODI) assessing the transformational impact of the CIFs. Overall, the report is positive in its assessment and recommends that "CIF programme implementation over the next period should build on the experience and expertise gained during the first 10 years of CIF".[265] Neil Bird, a senior research fellow from ODI who co-authored the report, told us that although there was initially some uncertainty over what the CIFs would achieve when they were established, recipient countries of the funds are now enthusiastic in their support:

> One of the most vocal supporters of what has happened since [the CIFs were set up] was a representative from a small island development state in the Pacific, who saw that the investments made under the Climate Investment Funds had benefited the vulnerable people in his country.[266]

145. The CIFs contain a 'sunset' clause, whereby they are to be closed once a new climate finance mechanism under the UNFCCC, now the Green Climate Fund, becomes operational. There is a question around the point at which this sunset clause should be triggered. Christian Aid told us that the 'sunset clause' should be enacted, and that the UK should support the transfer of funding to "the more accountable GCF".[267] Neil Bird was of the view that the GCF is not yet at a point when it can deliver at the scale and speed required. He offered an analogy:

> If the tide was rapidly coming in on a beach and I had two boats, one which I knew floated and would take care not only of me but of more vulnerable members of society, and another boat, which everyone recognises is the best design but they are still putting the keel together, I know which boat I would go into for this tide.[268]

He added that the sunset clause was important, but that he felt the right moment to trigger it hadn't yet arrived: "I would just question whether taking that action now will hold up very significant work that is needed".[269] He stressed the importance of ensuring that both the GCF and the CIFs, continue to receive funding this year so that they can both continue their operations:

263 Christian Aid (CCC0016)
264 ActionAid (CCC0003)
265 Overseas Development Institute (ODI), (2019), Transformational change in the Climate Investment Funds: a synthesis of the evidence
266 Q146
267 Christian Aid (CCC0016)
268 Q156
269 Q156

> Both of those funds run out of money this year, 2019, without further funding support, so we are at a critical juncture. We have seen the evidence from the scientific community, the IPCC 1.5 degree report. Action is needed now.[270]

146. **The UK Government is well placed to press for improvements to the Green Climate Fund. *The Government should work with the GCF Board to improve efficiency in decision-making and enable better access to finance by lower capacity countries and organisations, so that finance channelled through the GCF can be truly transformational.***

147. **Transferring finance from the Climate Investment Funds to the Green Climate Fund is an important goal, considering the GCF's balanced governance structure and its legitimacy under the UNFCCC. However, this transfer should not be made prematurely if the CIFs are delivering valuable outcomes that the GCF is not yet in a position to match. *The Government should continue to treat the CIFs as an interim measure, supporting the CIFs to deliver transformative outcomes whilst actively working towards a point when all the CIFs funding can instead be channelled through the GCF.***

Multilateral Development Banks

148. According to the Government's written evidence, Multilateral Development Banks (MDBs) "have a cornerstone role, both in helping to shift financing and investments into 'green' investment and contributing to the $100bn Paris target".[271] The submission says that through market borrowing, each £1 that the UK puts in to MDBs delivers between £2 and £3 of spending in poorer countries and more than £7 of leveraged private sector investment.[272]

149. According to a joint report from seven MDBs, in 2017, multilateral development banks in total contributed $35.2 billion to climate finance (79% for mitigation, 21% for adaptation), which is up 28% from 2016. Collectively, they reported that they have committed almost US$194billion in climate finance since 2011 in developing and emerging economies.[273]

150. Whilst these levels of spending on climate finance seem positive, we also received evidence pointing to the multilateral banks' ongoing investments in fossil fuels. E3G's written evidence highlighted that:

> while most of these banks are scaling up climate finance, several of these institutions are also investing substantial funds toward fossil fuel projects. Over 2015–16, some of these MDBs (AsDB, EIB, EBRD and World Bank) spent almost as much on fossil fuels as they did on energy-related climate finance.[274]

151. Christian Aid said that these ongoing investments in fossil fuels by the MDBs are undermining the achievements of the UK's ICF.[275] Several written submissions, including from Christian Aid, Tearfund, and WWF, argue that they UK should be using its influence

270 Q149
271 Met Office (CCC0022)
272 *Ibid.*
273 Joint Report on Multilateral Development Banks Climate Finance for 2017
274 E3G (CCC0035), referencing E3G (2018) Banking on Reform
275 Christian Aid (CCC0016)

with MDBs to hold them more accountable for these investments and to champion greater support for renewable energy.[276] E3G suggested that the UK could maximise its influence by working with other donors and "forming a new coalition […] of shareholder governments on the topic of MDB climate leadership".[277] They said that there is also room for the UK to do more to engage across all MDBs, including encouraging best practice sharing across the banks.[278]

152. In December 2017, at the One Planet Summit, the six largest MDBs released a joint statement in which they committed to align their financial flows with the goals of the Paris Agreement.[279] The World Bank also announced that it would no longer finance upstream oil and gas after 2019, except in exceptional circumstances.[280] At COP24 in December 2018, a group of nine MDBs announced a joint framework for aligning their activities with the goals of the Paris Agreement, in order to advance the commitment they made the previous year.[281] According to the World Bank, a joint MDB working group is developing methods and tools for implementing the framework and the MDBs will report back at next year's COP25 on their progress.[282] Dr Helena Wright, representing E3G in oral evidence to the Committee said that whilst the framework is a positive step, it is currently a "series of high-level principles" and would benefit from greater detail and further defined approaches, "to enable it to be more robust and impactful and to drive transformation in line with best practices".[283]

153. **Multilateral Development Banks (MDBs) are making positive contributions in climate finance and have made welcome commitments on aligning their financial flows with the goals of the Paris Agreement, but these have not yet gone far enough. Whilst some banks have made certain, progressive commitments—such as the World Bank Group committing to end all finance for upstream oil and gas—others have not, and all banks have more work to do in greening their financial flows.** ***The UK should use its influence with MDBs to champion more strongly a shift away from high-carbon investments and a scaling up of investments that are compatible with a 1.5°C world. The Government should work together and coordinate with other MDB shareholders to amplify pressure.***

154. **Collective action is needed, and so the MDB joint framework for alignment with the Paris Agreement is a welcome step.** ***However, the framework is currently too high-level to be driving real change. The MDBs should set out how they will implement this framework in order to achieve alignment at pace. Again, the UK should employ the support of other shareholders and use collective influence to drive this forward.***

276 WWF (CCC0012); Tearfund (CCC0015); Christian Aid (CCC0016)
277 E3G (CCC0035)
278 *Ibid.*
279 IDFC-MDB Statement (2017) Together Major Development Finance Institutions Align Financial Flows with Paris Agreement
280 Devex, December 2017, World Bank to quit upstream oil and gas projects after 2019
281 The nine MDBs are: The African Development Bank Group, the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank Group, the Islamic Development Bank, the New Development Bank, and the World Bank Group (World Bank,IFC,MIGA).
282 World Bank Group, December 2018, MDBs announced a joint framework for aligning their activities with the goals of the Paris Agreement.
283 Q142

UN Secretary-General's 2019 Climate Action Summit

155. Both at international climate negotiations, and through its spending of international climate finance, the UK Government has demonstrated leadership on climate change in several respects. Evidence to the inquiry emphasised that the UK Government played an active role in negotiating and securing the 2015 Paris Agreement.[284] We were told that UK's commitment to supporting least developed countries, particularly through its commitment to spending 50% of finance on adaptation, and its provision of grant-based funding, is also significant.[285] The NGO Forest Coalition praised the UK Government for its global advocacy on forests.[286] E3G noted the leadership role that the UK played with Canada in launching the Powering Past Coal Alliance.[287] It is clear from the evidence that in a number of respects the UK has been setting an example and playing a global leadership role in combating the causes and impacts of climate change.

156. However, over the course of our inquiry we also heard that there are several important issues that the international community is yet to fully grapple with, and on some of these issues, UK leadership has, so far, been lacking. In this final section of the report we will consider two of the areas where the UK Government has an opportunity to step up and make progress on vital conversations on challenging issues that require solutions. The Government has an opportunity to demonstrate this leadership: the UN Secretary-General is hosting a UN Climate Action Summit in September 2019, "to boost ambition and accelerate actions to implement the Paris Agreement on Climate Change".[288] The Secretary-General has asked the UK to lead on Climate Resilience at the Summit.

157. We asked Professor Dirk Messner, Director of the United Nations University Institute for Environment and Human Security, how he would like to see the UK take on the issue of 'resilience' at the Climate Action Summit. His answer suggested that the concept of resilience is broad and multifaceted, linking to governance structures, social structures, ecosystems, and traditional drivers of vulnerability:

> The concept of resilience is trying to understand how institutions and governance might be linked to the concept of resilience, how the investments in people, health and education are linked to resilient societies, how investments in healthy ecosystems are part of the equation and how social cohesion needs to be strengthened. It is a concept of trying to understand the associated dimensions of resilient societies.[289]

He told us that in seeking to address this concept of resilience at the Climate Summit, the UK Government should firstly seek to bring forward examples of what works, and secondly, recognise that there are ongoing debates, and much more we need to understand about resilient societies. We hope that in adopting this approach, the UK will be able to address two pressing issues: loss and damage, and climate migration.

284 Tearfund (CCC0015); E3G (CCC0035)
285 Bond (CCC0018); Catholic Agency for Overseas Development (CAFOD) (CCC0009)
286 NGO Forest Coalition (CCC0019)
287 E3G (CCC0035)
288 https://www.un.org/en/climatechange/
289 Q171

Loss and damage

158. Although there is no internationally agreed definition of loss and damage, the term usually refers to the impacts of climate change that cannot be avoided through mitigation or adaptation. The Bond Development and Environment Group define loss and damage in their written submission as, "The impacts of climate change that go beyond what it is possible to adapt to".[290] According to Warsaw International Mechanism for Loss and Damage (WIM), which was established under the UN Framework Convention on Climate Change (UNFCCC) in 2013, loss and damage can result from both extreme events (such as hurricanes, heat waves,) and slow onset events (such as desertification, sea level rise, ocean acidification).[291] The WIM also divides loss into economic losses (such as agricultural production, tourism, infrastructure) and non-economic losses (such as life, health, cultural heritage, biodiversity).[292]

159. Independent consultant, Julie-Anne Richards, pointed to some examples of recent cases of loss and damage:

> in 2017 when Hurricane Maria hit the island of Dominica, it caused in that one night loss and damage to the extent of 223% of their GDP—in one night. Another example is, if we look at Malawi and their 2015–16 drought, they suffered loss and damage of roughly $500 million. That is the cost of people being forced from their home, the cost of people not having enough food to eat and all of the social and economic costs that are rolled in with the idea of climate impacts going beyond what it is possible to adapt to.[293]

In April 2019, we took evidence on the UK's humanitarian response to Cyclone Idai, and heard about the devastating impact that the cyclone has had across three countries, and the terrible economic and non-economic losses that it has left in its wake.[294]

160. We asked Dr Saleemul Huq, Director of the International Centre for Climate Change and Development in Bangladesh, what the expected impacts of loss and damage will be in the coming years:

> The cost of damages from climate-induced impacts is going to be in the trillions of dollars over the next few decades. Those dollar values are going to be mainly in the developed countries. Rich countries are going to suffer the largest amount in dollar values. Poorer countries, like my country, Bangladesh, will suffer loss of life and loss of livelihoods; people will have to migrate. The dollar value associated with that may not be in the trillions—it may be in the millions—but the non-economic loss of livelihoods, lives, species and habitats […] is very, very significant for those poor countries. As you said, island countries are being forced to move entirely. That is an absolutely brand-new phenomenon we have never faced before.[295]

290 Bond (CCC0018)
291 https://unfccc.int/sites/default/files/resource/Online_guide_on_loss_and_damage-January_2019.pdf
292 https://unfccc.int/sites/default/files/resource/Online_guide_on_loss_and_damage-January_2019.pdf
293 Q72
294 Oral evidence on the UK response to Cyclone Idai
295 Q74

161. Article 8 of the Paris Agreement is dedicated specifically to loss and damage. Christian Aid told us that, with the inclusion of Article 8, the Paris Agreement enshrined loss and damage as a separate 'third pillar' alongside mitigation and adaptation.[296] However, loss and damage is not yet being treated as a separate funding stream by donors. Christian Aid stressed to us that loss and damage must be considered "separate and distinct" from adaptation so as to avoid finance for this already underfunded area being stretched and reallocated.[297]

162. Dr Huq explained that the issue of loss and damage is so politically sensitive, because "it immediately brings to mind the words 'liability' and 'compensation', which are taboo words in negotiations for many developed countries".[298] Dr Alison Doig presented a slightly different interpretation of why the UK Government was, in her view, "blocking any discussion on loss and damage":

> It is meant to have its own negotiating strand and its own financial strand but admitting that means more money, it means more effort and it means taking that seriously.[299]

In any case, both witnesses agreed that the UK Government has avoided conversation around loss and damage at climate negotiations. Dr Huq said:

> The UK has a good long history with [the least developed countries] but it seems to stop at the loss and damage issue. It is alright for adaptation but when it comes to loss and damage, they are not willing to move beyond that particular red line.[300]

163. In terms of what the UK could do to begin to progress a conversation around loss and damage, Julie-Anne Richards told us that recognising some of the UK's existing climate finance as finance for loss and damage would have a significant impact:

> DFID already supports social protection schemes in, for example, countries where droughts are becoming more and more common. That could be seen as loss and damage finance. DFID could acknowledge that it is loss and damage finance and account for it separately to its adaptation finance. That would progress the argument significantly with zero additional funds, with just a small accounting change.[301]

Dr Huq agreed that establishing loss and damage as "a new category of support" could be a key to progress. Once that recognition is there, he said, "then there can be discussions with developing countries on how best to put together funding to address the issue of loss and damage. There are many different ideas floating around that we can discuss".[302]

164. Bond's Development and Environment Group went further, arguing that commitments towards loss and damage should be in addition to the UK's 0.7% ODA

296 Christian Aid (CCC0016)
297 *Ibid.*
298 Q73
299 Q58
300 Q79
301 Q84
302 Q76 [Dr Saleemul Huq]

commitments. They advocated for the 'polluter-pays-principle' and suggest that a 'Climate Damages Tax' on fossil fuel extraction could act as one mechanism for raising funds that go towards loss and damage.[303]

165. The Government Ministers chose not to respond to our questions on loss and damage in oral evidence, but, with our agreement, sent us a follow-up note outlining their approach. In the note, the Government told us that:

> Much of our existing development and climate finance (including over £1.8 billion for adaptation since 2013) is already relevant to averting, minimizing and addressing loss and damage, as it is devoted to mitigation, adaptation, disaster risk reduction and disaster response.

It said that at the forthcoming UN Secretary-General's Climate Change Summit, the UK would be seeking, with partners, "to drive a systemic change in the way governments, businesses, financial institutions and civil society think, act and take decisions on resilience". That, they believe, "is the best way to avert and address the threat of loss and damage".[304]

166. **The devastation that Cyclone Idai caused across three countries has brought into sharp focus the terrible loss and damage that extreme weather events can leave in their wake. As global temperatures rise, loss and damage will also increase. It is imperative that the international community faces this issue head-on. We are pleased that the Government has indicated that loss and damage will be addressed as part of their work on resilience at the UN Secretary-General's Climate Change Summit in September this year.** ***This should not mean that the issue is subsumed into a wider conversation on resilience, which fails to discuss loss and damage directly. The Government cannot rely on co-benefits from other streams of work on resilience to address loss and damage. As part of its leadership on resilience at the Summit in September, the Government should explicitly open a conversation around loss and damage and how it can best be addressed, by developed and developing countries in partnership.***

Climate change and migration

167. In March 2018, the World Bank published a report warning that the impacts of climate change could compel over 140 million people to move within their countries' borders by 2050, in Sub-Saharan Africa, South Asia and Latin America.[305] Evidence to the inquiry strongly suggested that migration and displacement as a result of climate change is set to be a growing issue. The Overseas Development Institute (ODI) told us that the levels and patterns of migration "are likely to change substantially as a result of global climate change".[306] Taking into account the work recently done by the Warsaw International Mechanism for Loss and Damage (WIM) on the issue of climate change, migration and displacement, ODI said:

303 Bond (CCC0018)
304 See Department for International Development, Department for Business, Energy and Industrial Strategy & Department for Environment Food and Rural Affairs (CCC0037).
305 https://www.worldbank.org/en/news/press-release/2018/03/19/climate-change-could-force-over-140-million-to-migrate-within-countries-by-2050-world-bank-report
306 Overseas Development Institute (CCC0021)

> In some instances, the additional stresses posed by climate change are facilitating migration. Extreme events, on the other hand, are triggering forced displacement; one has to move when one's house is under floodwater. Such displacements have so far tended to be temporary, and most of the displaced stay within country. There may be instances in the future where sea level rise or extreme desertification render some areas uninhabitable, and people might be permanently displaced.[307]

Dr Saleemul Huq told us that, in Bangladesh, whilst it is currently difficult to attribute migration to climate change, "we can with a great deal of certainty ascribe climate migration to the future.":

> We know now that in low-lying coastal Bangladesh, the salinity increase is going to drive out people from those areas in the millions. We are talking about roughly 10 million over the next 10 to 20 years.[308]

In our one-off evidence session on the humanitarian response to Cyclone Idai in April, Ben Webster, Head of Emergencies at the British Red Cross, also identified displacement resulting from climate change as a problem that we can expect to grow.

> In terms of displacement, we are seeing that climate change is a threat multiplier. We will continue to see growing displacement in these low-lying areas as average sea levels rise.[309]

168. However, ODI told us that anticipating future migration scenarios associated with climate change was difficult due to the "insufficient data on mobility within country and cross border, as well as tracking of drivers".[310] ActionAid's submission agrees that there is insufficient data and calls for the UK Government to fund research "on the role of climate change in displacement and migration, with women-focused data", in order to better understand the causal links between irregular migration an climate change.[311]

169. We were also told that, at the moment, aid delivery structures are not set up to address this issue. The Glasgow Caledonian University Climate Justice Centre, drawing on a research into climate migration in Zambia and Nigeria by Sennan Mattar and Enyinnaya Mbakwem, told us that "international policy frameworks, aid interventions, and national instruments do not adequately address the needs of people forced to move as a result of climate change".[312] It seems that this is partly the result of a lack of international framework for addressing migration and displacement as a result of climate change. The Climate Justice Centre said

> there is ambiguity on what kind of role the international community should have in ensuring the rights of those displaced or forced to migrate due to climate change, especially in circumstances when individuals are within their own country.[313]

307 Overseas Development Institute (CCC0021)
308 Q86
309 Tuesday 2 April 2019, HC 2093, Q39
310 Overseas Development Institute (CCC0021)
311 ActionAid (CCC0003)
312 Glasgow Caledonian University Centre for Climate Justice (CCC0034)
313 *Ibid.*

ActionAid's written submission points out how a lack of common definition of climate migrants and climate refugees means that they are not recognised by UN legal frameworks for responding to refugees and migration.[314]

170. Dr Saleemul Huq told us that this issue is slowly being recognised by the international community as one which will need to be addressed, as demonstrated by the adoption of the WIM's conclusions on climate migration and displacement at COP24.[315] He told us that this acknowledgement of the potential impacts of climate change on migration is key for finding solutions.[316]

171. **As the impacts of climate change worsen, migration and displacement as a result of climate change will rise. The international community should ensure that it is prepared to manage and address this inevitable change. We welcome the fact that climate migration and displacement is increasingly being recognised as an area that requires attention.** ***The UK Government should play a role in supporting research and improving data on climate migration, as well as leading conversations around how aid delivery structures and international frameworks may need to adapt. The UN Secretary General's upcoming Climate Summit provides an ideal opportunity for the UK to advance this conversation as part of its leadership on resilience.***

314 ActionAid (CCC0003))
315 Q88
316 *Ibid.*

7 Conclusion

172. The UK Government has, in several respects, been setting an example and playing a global leadership role in spending aid to combat climate change. Through International Climate Finance (ICF) the UK has been seeking to address both the causes and impacts of climate change, including in some of the world's least developed countries. The UK Government made a commitment to spending 50% of its international climate finance on adaptation. It has delivered on this commitment and that is commendable, both on its own merits and for the example that it sets to other donors. Overall, the UK's aid spending to combat climate change would be more laudable if it were not for the magnitude of the climate change crisis. What the UK is lacking in its approach, is a fully absorbed recognition of the scale and urgency of the climate challenges that the world is facing.

173. This is reflected in the lack of up to date strategy for spending international climate finance; in the failure to fully integrate climate change into aid strategies beyond the ICF; in the continued ODA support for fossil fuels without apparent, comprehensive strategies in place for transitioning beyond these forms of energy; and in the lack of coherence on climate change across government policy, demonstrated by the support of UK Export Finance for fossil fuel economies in developing countries.

174. As the primary ODA spending department, DFID should be leading the way, demonstrating the kind of approach that is required in all aid spending, but it is hamstrung by its decision to utilise the international climate finance budget for mainstreaming climate change across its portfolio. This means that DFID is simultaneously failing to set an example to other aid spending departments on how climate change should be mainstreamed regardless of access to the climate finance budget, whilst also preventing the ICF budget from being used in pursuit of more strategic, transformative outcomes.

175. Meanwhile, BEIS and Defra are spending aid as climate finance without being able to demonstrate how this directly links to poverty reduction. Our evidence showed that while some strategies for mitigation and adaptation can be in tension with strategies for poverty reduction, and vice versa, climate action is most effective when it simultaneously addresses the root causes of poverty and vulnerability. This indicates that managing trade-offs and promoting synergies with poverty reduction is vital for the effectiveness of climate finance, and so tracking and demonstrating the links between the two is paramount.

176. Across Government, we would like to see a more comprehensive, integrated, strategic approach to addressing climate change, based on the latest climate science. This will both enable ICF spending to have as much impact as possible, and will prevent it from being undermined by other aid and non-aid spending. In addition to producing an up to date strategy for spending ICF, we urge the Government to:

- Integrate mitigation and adaptation strategies, together with strategies for poverty reduction and meeting the needs of the most vulnerable. This should be achieved through a more explicit adoption of 'climate compatible development' and 'climate justice' as guiding principles in aid spending. It should be reinforced by deeper collaboration and sharing of expertise across ICF spending departments.

- Embed climate considerations into all aid strategies and all aid spending, both within and beyond DFID, including, for example, DFID's Economic Development Strategy, and investments by the Prosperity Fund. In support of this, the UK should adopt the model of the International Development (Gender Equality) Act 2014 for climate change.

- Integrate plans to transition away from fossil fuels into both ODA and non-ODA fossil fuel investments and, in this way, build coherence between the aid spending that is seeking to address climate change, and non-aid spending, which—in the case of some UK Export Finance investments—currently threatens to undermine it.

177. On the international stage, the UK has an opportunity to build on its reputation for leadership on climate action, particularly in support of the least developed countries, by actively engaging in and progressing difficult conversations around the challenges of loss and damage and the future impacts of climate change on migration. Failing to engage on these issues will not prevent them from having an impact. The best and most productive way to identify workable solutions is through conversations between developed and developing countries, in partnership.

Conclusions and recommendations

The urgency and scale of the challenge

1. Climate change is not just one of a number of issues that the UK should address though aid spending. Climate change cuts across everything. The effectiveness of all UK aid spending is dependent on whether the international community rapidly and effectively combats the causes and impacts of climate change. The challenge is huge, it is existential, and there is very little time. The severity of the situation simply cannot be overstated. (Paragraph 31)

2. In this context, climate finance has to be more than meeting a commitment and ticking a box. The UK needs to make sure that all climate finance is being spent in the most effective possible way, to have the greatest impact. Climate finance must be spent strategically, it needs to be spent with urgency, and it has to be transformative. It is therefore disconcerting that there does not appear to be an active strategy underpinning the Government's International Climate Finance spending. It is further alarming that climate change does not appear to be fully integrated across other aid strategies. This is not the response that a crisis of such magnitude demands. (Paragraph 32)

3. *We recommend that the Government designs and adopts a clear, robust strategy for spending climate finance. The strategy should be outcome-oriented, time-sensitive, and based on the latest climate science. At the same time, climate change needs to be recognised as a cross-cutting strategic priority in the UK's aid spending and should be comprehensively integrated across all development assistance strategies.* (Paragraph 33)

International Climate Finance: spending and resources

4. The UK has committed to spending £1.76 billion on climate finance in 2020/21 and we agree that this should become the new annual minimum spend for climate finance from the UK. *This funding should be allocated as International Climate Finance in the upcoming comprehensive spending review. At the same time, DFID's climate related work should not be restrained by the ICF budget which need not be regarded as the sole source of climate finance. In order to scale up efforts on climate beyond what is funded by ICF, the Government should consider the options for additional climate finance from public and private sources.* (Paragraph 38)

5. The evidence strongly suggests that DFID's capacity and expertise on climate has been reduced in recent years - particularly, although not exclusively, in relation to forests and natural resource management—risking detrimental impacts on programming. *This situation should be urgently rectified. DFID must have sufficient numbers of staff who are (a) focused on climate programming and (b) have climate expertise, to ensure that International Climate Finance is being spent effectively and where it is most needed. This applies to both DFID head office and in-country posts.* (Paragraph 44)

6. We welcome the Government's commitment to create 20 new dedicated climate change posts. However, it is not clear to what extent these posts will be supported by champions for action on climate change at senior management level. We also note that the criticism around a loss of DFID expertise on forests due to an increased emphasis on working through service providers still seems to stand. *DFID should ensure that efforts at efficiency savings do not lead to watered down expertise and ultimately result in ICF being spent less effectively.* (Paragraph 45)

7. In Chapter 2 we outlined why it is so important that international climate finance is spent as effectively and with as great an impact as possible. It follows, then, that the way in which ICF is being spent, its impact, and the methodology for measuring that impact, should be in the public domain and open to scrutiny. Not only will this ensure that climate finance spending can be held to the highest of standards, it can also help to raise the bar on climate finance reporting in other countries by acting as a model to follow. Improved transparency around ICF spending therefore has the potential to improve climate finance spending globally. *The UK should take the opportunity to be a global leader on climate finance accounting and reporting by improving transparency of ICF spending, impact and monitoring methodology. We agree with the International Institute for Environment and Development (IIED) that DFID's online "DevTracker" system could provide an appropriate platform for greater transparency on International Climate Finance (ICF). The Government should use this platform to report climate finance flows transparently, broken down by component, delivery partner and project details.* (Paragraph 48)

Strategic approaches to spending International Climate Finance

8. Spending international climate finance does not necessarily reduce poverty. Some strategies which aim to address the causes of climate change can have a harmful impact on the poorest and most vulnerable. As well as being an unacceptable use of the aid budget, this also renders climate finance less effective by reducing adaptive capacity. The UK should recognise and be alive to these potential trade-offs in order to manage and avoid unintended, potentially harmful outcomes. *The most effective way for the Government to spend climate finance and avoid trade-offs is to ensure poverty reduction is a central pillar in all ICF spending. This means that all departments should be able to demonstrate explicitly how their ICF spending reduces poverty and benefits the most vulnerable, and this should be actively tracked and reported as part of the monitoring and evaluation of ICF spending.* (Paragraph 68)

9. In terms of developing policies and designing programmes, the concepts of climate compatible development and climate justice provide helpful guidelines for ensuring that climate finance brings maximum benefits for addressing both the causes and impacts of climate change whilst promoting sustainable development. *The Government should explicitly adopt these approaches and be guided by them in policy development and programme design.* (Paragraph 69)

10. The UK Government is setting a good example internationally by adopting and meeting its commitment under the Paris Agreement to spend 50% of International Climate Finance on adaptation. *This should be maintained in the next spending period.* (Paragraph 75)

11. However, whilst the international reporting requirements for climate finance are structured around the distinction between mitigation and adaptation, the Government should not be restrained by this framing when it comes to designing policies and programmes. *The Government should consider mitigation and adaptation strategies simultaneously. These should be integrated in ICF funded programmes, together with sustainable development objectives.* (Paragraph 76)

12. DFID is not doing enough long-term planning when it comes to climate programming. Even when programmes are renewed, this is not always planned for at an early stage, which limits how effectively partners can use the injection of funding. *DFID needs to shift to a more long-term approach whereby longer programme cycles are set out from the start, providing greater certainty and opportunity for strategic planning. This should not preclude ongoing robust evaluation and a flexible approach that allows for programmes to be adjusted and refined during implementation, to ensure the best outcomes.* (Paragraph 87)

13. The evidence points towards a tendency for successful climate programmes to be drawn to a close, rather than scaled up. This seems to be driven, at least in part, by the desire to mainstream climate across the portfolio, but we are concerned that this comes at the expense of expanding and growing effective programmes, which could have high impact. *DFID should use the uplift of climate finance in 2020/21 to scale up successful climate programmes in order to fully realise and maximise the potential benefits of the valuable work that DFID has invested in over this spending period.* (Paragraph 88)

14. Development assistance and private finance needs to play complementary roles. Leveraging private finance is vital in terms of the global reach of climate finance. UK aid has an important role to play in mobilising more private sector finance towards climate activities, and into areas and markets where private capital is needed but would not ordinarily go. We were pleased to hear that the UK has been supporting some innovative work in this area. *The Government should ensure that they are tracking not just the amount of private finance that is mobilised but also whether this is being accessed by those who need it most. This should form part of the Government's efforts to demonstrate explicitly how climate finance spend reduces poverty and benefits the most vulnerable, in line with our recommendation for how the Government should be conducting monitoring and evaluation of ICF spending.* (Paragraph 96)

15. There is a great deal that needs to be done to encourage global private finance flows to become low carbon and climate resilient. Development assistance can play an important role in growing this climate sensitivity in the private sector. We heard that DFID has successfully supported increased private sector transparency in relation to forest footprints but there is more that the UK could be doing in promoting financial disclosures. *We recommend that the CDC follow the example of the International Finance Corporation and require equity clients to report coal exposure.* (Paragraph 97)

16. We welcome the fact that DFID is seeking to mainstream climate change to ensure that, across the DFID portfolio, programmes are consistent with and supportive of climate resilience and low carbon development. Development programmes

that fail to meet this standard will ultimately undermine their own effectiveness. Correspondingly, DFID's programmes will be stronger if they take into account and deliberately address climate change. However, we agree with Christian Aid that mainstreaming should be done as a matter of good practice in all programming, without the use of the International Climate Finance budget. Failing to integrate climate considerations in this way would be flawed development practice, and DFID should not be tapping into the ICF budget to subsidise what it should be doing anyway. *Instead of also funding the mainstreaming of climate considerations in all DFID's programmes, the ICF budget should be reserved for the strategic goal of achieving transformative outcomes. The new ICF strategy should contain within it a clear articulation of the kind of transformative change that DFID intends to achieve through its climate finance contributions. The impact of ICF should then be measured and evaluated against these goals.* (Paragraph 105)

Policy coherence on climate change across government

17. There is room to improve cross-departmental collaboration on International Climate Finance. Whilst there are formal, high-level mechanisms in place for cross-departmental decision-making, and whilst there is an apparent level of informal information sharing between officials, it seems that structural changes to how ICF is administered have had the effect of reducing joint working between departments. This is especially concerning in light of our conclusions on the importance of integrating mitigation and adaptation strategies, with mitigation and adaptation having become the emergent specialisms of BEIS and DFID respectively. *The management structures that govern the ICF should be reformed to encourage deeper collaboration and ensure that departments benefit from each other's expertise. The Government should develop a system that involves each department giving more comprehensive consideration to the other departments' ICF spend, to enable greater collaboration and knowledge sharing.* (Paragraph 110)

18. The difference in approaches between the CDC, which considers climate change to be a strategic priority, and the Prosperity Fund, which does not, is reflected in the level of consideration that climate change is given in their respective spending decisions. We are convinced by the arguments that in, order to ensure coherence on climate change, all UK aid spending, regardless of which department or fund administers it, should be screened to ensure it is pursuing low carbon, climate resilient, sustainable development. (Paragraph 122)

19. *The Government should make explicit that climate change is a strategic priority that is to be integrated into all aid spending. As a first step towards this, the Prosperity Fund should urgently develop an approach that indicates the climate relevance of their investments.* (Paragraph 123)

20. *The Government should adopt the model of the International Development (Gender Equality) Act 2014 for climate change, to ensure that all development assistance promotes progress towards a climate resilient, low carbon world.* (Paragraph 124)

21. The only context in which it is acceptable for UK aid to be spent on fossil fuels is if this spend is ultimately in support of a transition away from fossil fuels and as part of a strategy to pursue net zero global emissions by 2050. (Paragraph 0) *In each case where ODA is supporting fossil fuels, the Government must be able to (i) demonstrate how that spend supports such a transition to zero emissions, and (ii) outline a plan for how that transition will be achieved and in what timeframe.* (Paragraph 136)

22. Any financial support for fossil fuels that does not meet these criteria - regardless of whether it is ODA or non-ODA - undermines the Government's International Climate Finance spend. Currently, the support provided to the fossil fuel economy in developing countries by UK Export Finance is damaging the coherence of the Government's approach to combating climate change and this needs to be urgently rectified. (Paragraph 137)

UK international leadership on climate change

23. The UK Government is well placed to press for improvements to the Green Climate Fund. *The Government should work with the GCF Board to improve efficiency in decision-making and enable better access to finance by lower capacity countries and organisations, so that finance channelled through the GCF can be truly transformational.* (Paragraph 146)

24. Transferring finance from the Climate Investment Funds to the Green Climate Fund is an important goal, considering the GCF's balanced governance structure and its legitimacy under the UNFCCC. However, this transfer should not be made prematurely if the CIFs are delivering valuable outcomes that the GCF is not yet in a position to match. *The Government should continue to treat the CIFs as an interim measure, supporting the CIFs to deliver transformative outcomes whilst actively working towards a point when all the CIFs funding can instead be channelled through the GCF.* (Paragraph 147)

25. Multilateral Development Banks (MDBs) are making positive contributions in climate finance and have made welcome commitments on aligning their financial flows with the goals of the Paris Agreement, but these have not yet gone far enough. Whilst some banks have made certain, progressive commitments - such as the World Bank Group committing to end all finance for upstream oil and gas - others have not, and all banks have more work to do in greening their financial flows. *The UK should use its influence with MDBs to champion more strongly a shift away from high-carbon investments and a scaling up of investments that are compatible with a 1.5°C world. The Government should work together and coordinate with other MDB shareholders to amplify pressure.* (Paragraph 153)

26. Collective action is needed, and so the MDB joint framework for alignment with the Paris Agreement is a welcome step. *However, the framework is currently too high-level to be driving real change. The MDBs should set out how they will implement this framework in order to achieve alignment at pace. Again, the UK should employ the support of other shareholders and use collective influence to drive this forward.* (Paragraph 154)

27. The devastation that Cyclone Idai caused across three countries has brought into sharp focus the terrible loss and damage that extreme weather events can leave in their wake. As global temperatures rise, loss and damage will also increase. It is imperative that the international community faces this issue head-on. We are pleased that the Government has indicated that loss and damage will be addressed as part of their work on resilience at the UN Secretary-General's Climate Change Summit in September this year. *This should not mean that the issue is subsumed into a wider conversation on resilience, which fails to discuss loss and damage directly. The Government cannot rely on co-benefits from other streams of work on resilience to address loss and damage. As part of its leadership on resilience at the Summit in September, the Government should explicitly open a conversation around loss and damage and how it can best be addressed, by developed and developing countries in partnership.* (Paragraph 166)

28. As the impacts of climate change worsen, migration and displacement as a result of climate change will rise. The international community should ensure that it is prepared to manage and address this inevitable change. We welcome the fact that climate migration and displacement is increasingly being recognised as an area that requires attention. *The UK Government should play a role in supporting research and improving data on climate migration, as well as leading conversations around how aid delivery structures and international frameworks may need to adapt. The UN Secretary General's upcoming Climate Summit provides an ideal opportunity for the UK to advance this conversation as part of its leadership on resilience.* (Paragraph 171)

Annex

Visit to Ethiopia, Uganda and Kenya—*climate change-related elements (in whole or in part)*[1]

Visit to Ethiopia (Group)		
Date	**Meeting**	**Location**
November 2018: Day 1	*DFID / FCO briefing*	Embassy, Addis Ababa
	Winsol Green Energy PLC • *Meeting* • *tour of factory*	Keara, Addis Ababa
	Informal briefing event (national and local government, UN, NGOs ad civil society): migration, refugees, IDPs	Residence, Addis Ababa
Day 2	Productive Safety Net Programme (PSNP) • Etanzere Watershed public works site	Tahtay Maychew, Tigray Region
	Endabaguna refugee reception centre • Reception centre • Children and youth recreation centre	Tigray
	Mai Ani refugee camp • Child protection centre (Norwegian Refugee Council) • JRS youth centre	Tigray
Day 3	Tsore refugee camp • ARRA Zonal Coordinator • NGO partners • Women's outreach centre • Primary school • Household agriculture site	Benishangul Gumuz Region
	Assosa town hospital: One Stop Centre (integrated protection and health services)	Benishangul Gumuz
	Regional Bureau of Economic Development and Education (BoFED)	Benishangul Gumuz
	DFID / FCO briefing	Embassy, Addis Ababa
Travel to Kenya		

1 The visit also related to the Committee's inquiry into forced displacement

Visit to Uganda (Group 2)		
Date	**Meeting**	**Location**
November 2018: Day 1	*DFID / FCO briefing*	Entebbe
	M-*KOPA Solar:* • *off-grid solar-power supply* • *retail network and customers*	Entebbe
	Kampala Capital City Authority (KCCA) recycling and waste management centre • *KCCA management* • *'Slum Dwellers' (community collective)*	Kampala
	Informal briefing event (national and municipal government, UN, NGOs and civil society): climate change and refugees	Residence, Kampala
Day 2	*Office of the Prime Minister (OPM)*	Arua Town
	Community Agro-forestry Learning Centre	*Arua District*
	Rhino refugee settlement: accelerated learning for refugee and host community children	Arua District
	Impevi refugee settlement: • Impevi Health Centre (WFP nutrition activity) • Impevi WFP Food Distribution Centre	Arua District
	Impevi solar-powered borehole (Danish Refugee Council)	Arua District
Day 3	Bidi Bidi refugee settlement: child protection and safeguarding, Timba centre (Mercy Corps)	Yumbe District
	Agricultural seed dealer, agents and community farmers network	Yumbe Town
	DFID / FCO briefing	Entebbe
Travel to Kenya		

Visit to Kenya (both groups)		
Date	**Meeting**	**Location**
November 2018: arrival	*DFID / FCO briefing*	Residence, Nairobi
Day 1	*Deputy County Commissioner and Refugee Affairs secretariat*	Kakuma, Turkana County
	UNHCR and WFP	Kakuma
	Kakuma refuge settlement: Kakuma 4 Hospital (IRC) • health care provision • *on-site solar power generation*	Kakuma
	Kalobeyei refugee settlement • Bamba Chakula project: voucher based retail and trading • UNHCR Cash Based Intervention (CBI) for new housing	Kalobeyei, Turkana County
Day 2	*Group 1: Makueni Climate Change Project and StARK+ Programme* • *County Governor, County Commissioner, ADA consortium (County Climate Change Adaptation Fund) and partners* • *Celebration of Masue Rock Catchment Project implementation with local community, local government, civil society and all project partners* • *Visit catchment project*	Makueni Town, Makueni County Masue Village, Nzaui Sub-County
	Group 2: Climate Change innovation	Nairobi
	Kenya Climate Innovation Centre (KCIC) and Africa Enterprise Challenge Fund (AECF)	Strathmore Business School, Nairobi
	Climate change enterprise project (AECF)	Nairobi
	World Bank, Kenya: • Forced displacement • Innovation in integration between refugees and host communities, government and private sector	Nairobi
	All: DFID / FCO briefing	Nairobi
	Informal briefing event (national and local government, UN, NGOs and civil society): climate change and forced displacement	Nairobi
Return to UK		

Formal minutes

Tuesday 30 April 2019

Members present:

Stephen Twigg, in the Chair

Richard Burden
Mr Nigel Evans
Mrs Pauline Latham OBE
Chris Law
Paul Scully

Draft Report (*UK aid for combating climate change*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 177 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Tuesday 7 May at 1.45 p.m.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Tuesday 16 October 2018

Clare Shakya, Climate Change Group Director, International Institute for Environment and Development, **Dr Rebecca Nadin**, Head of Risk and Resilience, Overseas Development Institute, and **Nick Mabey**, Chief Executive, E3G Q1–30

Tuesday 4 December 2018

Anshul Patel, Chief Commercial Officer, BBOXX Ltd, and **Professor Sam Fankhauser**, Director of the Grantham Institute for Climate Change and Environment; **Dr Ruth Fuller**, International Development Policy Advisor, WWF-UK, **Chu Thi H**a, Acting Programme Manager, ActionAid Vietnam, and **Dr Alison Doig**, Head of Global Policy, Christian Aid Q31–71

Tuesday 29 January 2019

Dr Saleemul Huq, Director of the International Centre for Climate Change and Development, and **Julie-Anne Richards**, Independent Consultant; **Dr Kate Schreckenberg**, Kings College London, and **Andrew Mitchell**, Founder of Global Canopy Q72–103

Tuesday 12 February 2019

Colin Buckley, Chief Operating Officer, CDC, and **Joelle Jenny**, Director of the Joint Funds Unit, National Security Secretariat; **Dr Helena Wright**, Senior Policy Adviser, E3G, **Neil Bird**, Senior Research Fellow, Overseas Development Institute, and **Dr Angela Falconer**, Associate Director, Climate Policy Initiative Q104–158

Wednesday 6 March 2019

Professor Dirk Messner, Director of United Nations University Institute for Environment and Human Security; **Rt Hon Claire Perry MP**, Minister of State for Energy and Clean Growth, Department for Business, Energy and Industrial Strategy, **Harriett Baldwin MP**, Minister of State for Africa at the Foreign and Commonwealth Office and Minister of State for International Development, **Thérèse Coffey MP**, Parliamentary Under-Secretary of State for the Environment, Department for Environment, Food and Rural Affairs, and **Sally Taylor**, Head of Climate and Environment, Department for International Development Q159–212

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

CCC numbers are generated by the evidence processing system and so may not be complete.

1 ActionAid (CCC0003)

2 Bond (CCC0018)

3 BOND Development and Environment Group (DEG) (CCC0032)

4 Bright Blue (CCC0006)

5 Catholic Agency for Overseas Development (CAFOD) (CCC0009)

6 Christian Aid (CCC0016)

7 Christian Aid Annex A (CCC0029)

8 Climate and Land Use Alliance (CLUA) (CCC0001)

9 Climate Outreach (CCC0033)

10 Department for Business, Energy and Industrial Strategy (CCC0024)

11 Department for International Development (Annex A) (CCC0030)

12 Department for International Development, Department for Business, Energy and Industrial Strategy & Department for Environment Food and Rural Affairs (CCC0037)

13 Department for International Development; the Department for Business, Energy and Industrial Strategy; and the Department for Environment, Food & Rural Affairs (CCC0023)

14 Dr Ayesha Siddiqi, Royal Holloway University of London & Dr Amiera Sawas, ActionAid UK (CCC0025)

15 E3g (CCC0035)

16 Forsyth, Professor of Environment and Development Tim (CCC0002)

17 Glasgow Caledonian University Centre for Climate Justice (CCC0034)

18 Global Witness (CCC0008)

19 Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (CCC0014)

20 International Institute for Environment and Development (IIED) (CCC0026)

21 Marie Stopes International (CCC0020)

22 Met Office (CCC0022)

23 Mott MacDonald (CCC0013)

24 NGO Forest Coalition (CCC0019)

25 Overseas Development Institute (CCC0021)

26 Oxfam GB (CCC0017)

27 Platform (CCC0007)

28 Results UK (CCC0011)

29 Schreckenberg, Dr Kate (CCC0031)

30 Scottish Government (CCC0036)

31 Sir Andrew Haines, Professor of Environmental Change and Public Health, London School of Hygiene and Tropical Medicine (CCC0027)

32 Tearfund (CCC0015)

33 University of Southampton (CCC0005)

34 WaterAid (CCC0010)

35 WWF (CCC0012)

36 WWF-UK Annex A (CCC0028)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	DFID's work on education: Leaving no one behind?	HC 367
Second Report	Bangladesh and Burma: the Rohingya crisis	HC 504
Third Report	Bangladesh and Burma: the Rohingya crisis - monsoon preparedness in Cox's Bazar	HC 904
Fourth Report	Bangladesh, Burma and the Rohingya crisis	HC 1054
Fifth Report	Definition and administration of ODA	HC 547
Sixth Report	DFID's Economic Development Strategy	HC 941
Seventh Report	UK's arms exports during 2016	HC 666
Eighth Report	Sexual exploitation and abuse in the aid sector	HC 840
Ninth Report	Appointment of the Chief Commissioner of the Independent Commission for Aid Impact	HC 1493
Tenth Report	Forced Displacement in Africa: "Anchors not walls"	HC 1433
First Special Report	DFID's use of private sector contractors: Government Response	HC 322
Second Special Report	UK aid: allocation of resources: Government Response	HC 323
Third Special Report	DFID's work on education: Leaving no on behind?: Government response	HC 914
Fourth Special Report	Bangladesh and Burma: the Rohingya crisis: Government response	HC 919
Fifth Special Report	Bangladesh and Burma: the Rohingya crisis - monsoon preparedness in Cox's Bazar: Government response	HC 1055
Sixth Special Report	Bangladesh, Burma and the Rohingya Crisis: Government response	HC 1467
Seventh Special Report	Definition and administration of ODA: Government response	HC 1556
Eighth Special Report	DFID's Economic Development Strategy: Government response to the Committee's Sixth Report	HC 1599
Ninth Special Report	UK arms exports during 2016: Government Response to the Committees' First Joint Report	HC 1789

Tenth Special Report	Sexual exploitation and abuse in the aid sector: Government response to the Committee's Eighth Report	HC 1764