



International Development Committee

Oral evidence: Sub-Committee on the Work of the Independent Commission for Aid Impact Report–the International Climate Fund, HC 861

Wednesday 14 January 2015

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Members present: Fabian Hamilton (Chair); Fiona Bruce; Sir Malcolm Bruce; Jeremy Lefroy; Fiona O'Donnell

Questions 1-50

Witnesses: **Graham Ward CBE**, Chief Commissioner, and **Catherine Cameron**, Team Leader, Independent Commission for Aid Impact, gave evidence

Q1 Chair: Good morning. Sorry to keep you waiting, Graham and Catherine. You are most welcome. As you know, we are discussing your report on the UK's International Climate Fund. Are there any opening remarks or comments either of you would like to make before we go to questions?

Graham Ward: I think what I would like to say is that, first of all, we gave this report a green-amber rating, and in summary, we see that the UK has been consistent in its international messages on the need to take action on climate change. We found it is a leader internationally, with a strong reputation; that the ICF is a central part of the UK's response to climate change, with a goal to support international poverty reduction by helping developing countries to adapt to the impact of climate change, to take up low-carbon growth and to tackle deforestation. We have seen that it has catalysed positive action; it has taken a leadership position on the need to shape and deliver an effective international agreement, and has made a significant contribution. There is no doubt that it had a challenging start, which is reflected in the amber-red rating we have given for delivery, but I think it has now built up a significant momentum, and it is well-placed to deliver on its ambitious objectives. While it is at an early stage, the trajectory and the direction of travel of the ICF programmes are very positive; hence our overall green-amber rating.

Chair: Catherine, any opening remarks or comments?

Catherine Cameron: Nothing further to add.

Q2 Chair: As you say, Graham, this is a review of a very important fund, larger than any individual aid programme, and as you have just mentioned, you gave it a green-amber rating. What do you think is the main message that emerges from the review?

Graham Ward: The main message is that this is a hugely important area for the world's poor. It is necessary to do work in a wide range of countries and on a wide range of activities in order to produce positive benefits in respect of climate change, and that the integrated way in which the Government have approached this, with the three key departments working closely together to drive the ICF, is the right way to go about that.

Q3 Sir Malcolm Bruce: You have said in your report that you think the objectives are largely appropriate, and then you go on to say, "This is, however, a rapidly evolving field", and that they should, "Adopt a more focused approach...and a narrower set of objectives and a clearer definition". What is wrong with the objectives, and what do you mean by focusing down? Do you feel that they are too broad?

Catherine Cameron: The initial objectives in 2010 were very broadly scoped, reflecting the ambition and scale of the ICF operating both as an international instrument of UK climate policy, but also operating at the national level in many priority countries, and at the intervention level. What we found, as the departments have also found, was that that scope—that scale of ambition—was challenging, and both they and we, and indeed the mid-term evaluation, are in agreement that it would be helpful going forwards for the ICF to refine its objectives and scope them a little more tightly.

Q4 Sir Malcolm Bruce: You have said that they could do more to support innovation on low-carbon and climate-resilient approaches to development. I suppose they could always do more, but what are they not doing? Can you give specific examples of the sort of things you think they should be doing that they are perhaps not?

Catherine Cameron: One of the issues for low-carbon development is the time it takes. If you look in annex one, at the back of the document, a number of the low-carbon development programmes there have very long time frames, running to 2042 and beyond. The initial design and scoping work for those programmes takes several years to set up, and that is the phase that many of them are in now. Many of them are only just now beginning to move to an implementation phase, so I think for the ICF, that was very much part of a learning that is going on internationally—not just for this one instrument—with the efforts that are being made to invest in low-carbon development in a range of countries.

Q5 Sir Malcolm Bruce: You go on then to say that the process should involve stakeholders and governments more. You say it is inadequate, so in what ways should they involve them and what do you think are the consequences of that inadequacy? What is missing?

Catherine Cameron: Our first recommendation was the need for the ICF to work more closely with country Governments, in order to partner with them and learn from them about the priorities and investments that are required in-country, because of course that varies enormously depending on whether you are in Indonesia, which was one of the countries we went to, or in some of the other countries where the ICF was investing. So

there has been a challenge for the ICF in the instruments it has used working through many of the multilateral development banks and at the same time being able to consult adequately in-country—which, again, is not a problem unique to the ICF; it is a problem common across climate funds.

Graham Ward: As an exemplar, one general issue that we and, indeed, you have observed over many years is that aid is far more effective the closer the objectives of DFID—and, in this case, DECC and DEFRA as well—are aligned with the objectives of the host governments.

Q6 Sir Malcolm Bruce: I think others will have to pursue this, but is there a conflict between the short and the long term? If you are working with stakeholder Governments, being politicians they will want quick pay-offs, and you are saying that some of these things are actually long-term. How do you get that balance right?

Graham Ward: I think there is, and we have seen that in Indonesia, for example, where the President has put forward very ambitious objectives in terms of reducing emissions in Indonesia and, on the other hand, has to deal with the question of providing as full employment as possible and keeping economic growth going. We have seen that in the UK as well actually, as questions of climate policy have been debated. And so there we have, for example, the rather strange situation that on the one hand they are providing funds for the development of low-carbon generation of electricity and on the other hand they are providing subsidies to coal and to coal-fired generation. We did raise this with officials we met in Indonesia, who readily admitted that there was a conflict, but did not actually have a solution to this, if you like, dichotomy between getting economic growth in place on the one hand but doing the right thing in the long term for the climate on the other. This is very much a question of getting the local politics and the local instruments right to enable the right answers to be found.

Q7 Sir Malcolm Bruce: The only thing is the role of private investment in this. By definition, part of the idea of the ICF was to unlock, potentially, more private investment, but are they succeeding in really giving them the right incentives to come in?

Catherine Cameron: This directly relates to our recommendation about the ICF work for the private sector going forwards. We found that although much work has been done, there is still scope for the ICF to take a more granular approach to its private sector strategy—to unpack more clearly what some of the barriers are along the investment chain, in order to enable more of that private sector investment to take place, so to amplify and accelerate those private sector flows. That is one of the ambitions of the ICF, and they have done a lot of work and invested a lot of people time in supporting this work, but we believe that there is further opportunity for them to develop that.

Graham Ward: We had an example, again in Indonesia, looking at low-carbon generation, where it was possible to raise loan finance to implement projects to build low-carbon generating plants, but what could not be raised through loan finance, unsurprisingly, were funds to enable feasibility studies to be done in respect of individual plants. So one of the areas where ICF could be working more closely here would be to provide the funding for feasibility studies in respect of such generation, and then once that is done and a project

has been shown to be feasible, it is possible to wheel in the private sector finance in order to go through the implementation phase.

Q8 Fiona Bruce: Turning to the amber-red assessment on delivery, you highlight that DECC and DEFRA usually have to invest from a capital budget, which means that any spending must create an asset. You say there should be a more flexible approach to the balance between capital and resource funding. What additional flexibility would you have in mind?

Graham Ward: Broadly, we are saying that by forcing expenditure into pigeonholes of being one or the other, you take away the flexibility to spend the money where it is most needed at any particular time, and so you can be more effective in terms of financing projects if you put more flexibility between those two pigeonholes.

Catherine Cameron: Again, it speaks directly to our recommendation about the flexibility between resource and capital expenditure under the ICF. As is already noted in the management response, it has been agreed for the next financial year, 2015-16, that there will be a 5% pre-authorised switch, so the two Departments that do not have access to resource, DECC and DEFRA, will have that 5% pre-authorised in the next financial year. Our recommendation is that there is more flexibility in the budget, so that some of that enabling and unlocking that needs to take place can be financed through resource funding.

Q9 Fiona Bruce: How do you see that 5% switch perhaps affecting a more nimble approach? You talked in your report about the work perhaps needing a more granular and nimble approach.

Catherine Cameron: It means that DECC and DEFRA will be able to use that resource funding to commission work or support technical assistance to enable in-country Governments to undertake that work, rather than having to apply to DFID to get a resource/capital swap.

Q10 Fiona Bruce: How does that affect the 0.7% target? Is it still part of that, bearing in mind this capital—?

Catherine Cameron: The 0.7% includes both resource and capital.

Q11 Fiona Bruce: It still qualifies as ODA. You say that reliance on capital finance has constrained investments in high-risk investments. What would you say are the benefits of involvement in high-risk investment, and what types were you considering when you made that reference?

Catherine Cameron: So that Departments can invest in programmes, research and technical assistance to support country Governments that wish to invest in low-carbon development or, in some cases, adaptation or forestry, in ways that mean that they are not reliant on capital funding, which is driven through many of the delivery partners that can handle that capital funding, like the World Bank, the African Development Bank, or the Asian Development Bank, which have been key delivery partners for the ICF hitherto.

Graham Ward: Also, we are talking here about areas where the science is developing all the time, and where the technology is developing all the time. Supporting innovation is

very important in terms of getting at the best solutions, and innovation is—almost by definition—higher-risk than not. Enabling things to push forward to get the best solutions is important here.

Q12 Fiona Bruce: Just a last point, with reference to delivery: you talked about engagement with the private sector. How do you think that could be improved?

Graham Ward: I have mentioned the question of the feasibility studies. Actually, what needs to be done is enabling the private sector to do what it does best by doing what Government is well placed to do, in terms of taking risk at the feasibility stage. It is about exposing the programmes to a wide range of players from the private sector, to enable them to get involved, and making sure we in the UK have got all the right people on board to really understand what private sector financing of these things is all about, and to enable contracts and projects to be structured in a way that is attractive to private sector finance.

Q13 Fiona Bruce: So hopefully learning these lessons, with the benefit of the flexibility that hopefully a bit of switching will add, should produce results.

Graham Ward: That is the hope.

Fiona Bruce: Thank you.

Q14 Jeremy Lefroy: Good morning. Just really following up from Fiona's question, there is this division of capital between returnable capital and not-returnable capital—returnable capital being where it is on, presumably, the Treasury's balance sheet and not-returnable capital being when it is on the balance sheet of, say, the World Bank. Do you know what the split is between those two different categories?

Catherine Cameron: We refer to the definition on the balance sheet in footnote 24 on page 12, and that is something where we worked closely with both the Departments in order to get clarity on that point, on where the asset sits, because budget guidance, of course, varies between departmental accounts and national accounts. This is an issue that has also appeared in the forthcoming Business in Development review, so it is not something that we have gone into extensively in this review, but it will be something that we talk about in a forthcoming review.

Graham Ward: Sorry, we do not have in our heads the relative numbers in relation to these things.

Q15 Jeremy Lefroy: Would you agree that it is quite an important issue? Clearly it has a long-term impact. If it is returnable capital on the country's balance sheet, the country needs to know what is happening to that and it needs to be monitored. If it is on the balance sheet of the World Bank or some other multilateral, then clearly we need to have confidence that they are managing it properly. But at the same time, if it is returnable capital on the Treasury's balance sheet, then at some point it will be returned, in which case it will count as a negative ODA, which has consequences for the achievement of 0.7%. Is that something that you think should be looked at more closely, given that capital is such an enormous part of this programme?

Graham Ward: I agree with you that it is important. I agree with your assessment of the implications of those things, and yes, it does need to be looked at closely. In the long term, the way in which this capital might be returned and what that means for availability of resource for ODA activities in the future is one of the key aspects of future financing.

Q16 Jeremy Lefroy: Do you know what kind of returnable capital there is on the departmental or overall Government balance sheet at the moment? What sorts of projects are there that are returnable, as opposed to on the balance sheets of multilaterals?

Catherine Cameron: Is this a broader DFID question?

Jeremy Lefroy: No, specifically in relation to the ICF. What sort of things are there, on the balance sheet?

Catherine Cameron: In this section on capital, that is where we went back to DFID and DECC in order to clarify this issue of capital and returnable capital. Their guidance to us was very clear: that we were talking about capital.

Q17 Jeremy Lefroy: So this is something we should maybe take up with DFID and DECC, because it would be interesting to see how much clarity and consistency there is.

Catherine Cameron: This is also something that emerged in the private sector development review, which you examined earlier this year, and it is also coming up in the Business in Development review on the need for clarity on this point, and the way in which the terms are used, both by the general public and in accounting terms by the Treasury.

Q18 Jeremy Lefroy: Because one thing that we have been discussing is whether there should be some kind of mechanism for DFID to properly manage its returnable capital, maybe through a separate development bank, either within DFID or outside. Now, clearly since DECC spends pretty much half of the ICF and it is almost all capital, there would then be the question as to how DECC would be managing its own returnable capital outside the way in which DFID does. Typically, DECC's budget would not be so attuned to returnable capital as DFID is, because it is generally a different type of department.

Catherine Cameron: Yes, and DECC was new to spending these sorts of money in these sorts of ways. This is one of the learnings from the ICF that the three Departments have had to work together across Departments, using this instrument jointly, and how that has evolved and progressed over the last few years since its inception. But the challenge that DECC had at the beginning of the ICF was in terms of how to work with money when, for them, the allocation was only for capital, not for resource. That was very much a challenge for DECC at the beginning of this process for them to learn how to use it.

Q19 Jeremy Lefroy: Would it not make sense for all those three Departments, all of which have capital, expenditure, and the ICF, simply to pool them and have, if you like, a separate part of the Government balance sheet where all these items related

to the ICF that are returnable capital—which, after all, are all aimed at the same thing—were pooled together, rather than being managed individually between three different Departments?

Graham Ward: I think that is well worth exploring, actually, bringing this together, yes. Everything we can get in terms of coherence in action and coherence of presentation, and coherence of transparency, must be a good thing.

Q20 Jeremy Lefroy: Given that this is such an important programme, it would seem logical that those, if you like, capital assets, which need to be monitored and are in different parts of the Government's balance sheet, should be brought together. But anyway, moving on to evaluation, it seems that the ICF escaped an amber-red rating for learning, despite its mid-term evaluation not reaching the required OECD and DFID standards. I just wondered how concerned you both were about this. Should we repeat the evaluation exercise?

Graham Ward: There are a number of different factors that we took into account in looking at the learning rating. The good things are that ICF has done a lot of good promotion of learning within the multinational, multilateral partners that it uses. It has done a lot of support for global knowledge initiatives. It has supported learning in this area in DFID-priority countries. It is helping to support mainstreaming of climate into development. There is a lot of good sharing of lessons amongst DFID, DECC, DEFRA, and indeed, the FCO, and they have been making investments in knowledge that we have seen deliver good impacts. On the negative side, I think it needs to become more visible. It does need a results framework that is clearer; and yes, the mid-term evaluation was disappointing. It was recognised by DFID to be disappointing as well, but I do not think that is the only thing that should be taken into account in assessing the rating for learning. We took all those different things into account and our view was, in the round, a green-amber rating was the right rating.

Q21 Jeremy Lefroy: So what were you particularly pleased with that offset that? Could you give us some details?

Graham Ward: I was particularly pleased with the way in which it has supported learning amongst the multilateral partners and other Departments. Catherine, what struck you most?

Catherine Cameron: The ICF has been a pioneer in developing and strengthening approaches to learning in measuring progress in climate finance. It recognised that that is still uncharted waters across many organisations, and has taken a leadership position in undertaking the first research to clarify that, and then to develop new indicators. So, as you have seen in the report, it has a range of very ambitious, high-level key performance indicators, some of which are still under development. Both in setting an example in and of itself, and in influencing the multilaterals that it is working with and through, it has given high attention to monitoring, evaluating, and measuring results, and to learning.

The separate issue, if you like, of the mid-term evaluation and the performance of the contractor in that is, of course, outwith the scope of the learning aspect of the International Climate Fund. We were concerned about the management of the mid-term evaluation by the ICF, and their delay in taking action to address what was recognised very early on as a

weakness in the delivery of the MTE, but after working with the Departments and discussing ourselves, we recognise that we should not confuse those two issues. They are, in fact, two different things. So the issue of the management of the MTE is actually very well identified as an exemplar in an earlier report, which DFID itself published, about the challenges it has with evaluation and with taking on learning, which of course ICAI picked up in its “How DFID Learns” review earlier this year.

Q22 Jeremy Lefroy: Just going back to the question of whether they should repeat the MTE, we are, after all, only half-way through what is an extremely substantial programme. Do you not think that it should perhaps be repeated? Because if it is not adequate, then repeating it to a higher quality standard would perhaps give more confidence.

Graham Ward: I am not sure that repeating that would give the best use of resource at this stage, really.

Catherine Cameron: Our recommendation is that this puts additional pressure on an “end of ICF” evaluation in order for that to be both properly scoped—because I think there was a challenge with the ambition in the scoping of the MTE—as well as properly executed and managed. So that is going to put pressure on the ICF for its end-of-cycle evaluation, but in the last year, there has been significant work done by both this ICAI review and by the mid-term evaluation. So there has already been quite a significant investment in scrutiny of the International Climate Fund over the last year, with those two reviews.

Q23 Jeremy Lefroy: Finally, if I may, on the question of data, you have mentioned the variability of the quality of data. Data is absolutely essential for these programmes, and it seems to me extraordinary that we are having to question the quality of data on such a significant programme. We talk about people being removed from the data, several steps away from the data, and having very little control over it. It seems to me that if we are not able to assure ourselves that the data is of a high enough standard, then we have some serious problems. Have we seen real steps being taken to address that?

Catherine Cameron: Yes. They have in fact put a new programme in place: a monitoring, evaluation and learning programme, which is a result both of our work, the work of the MTE, and their own understanding that in many cases—because the data sources derive from third parties, whether they are other multilateral development banks or working through other delivery partners—the need to do triangulation of that data, and assure it for the ICF is important. We think this is something that does need to be improved and we are pleased that they have put this additional programme in place, but we think that this area, as well as the area of transparency and accountability through having a dedicated website, would go some way to improve the accountability of the ICF.

Q24 Fiona O'Donnell: We have seen examples in-country of the FCO and DFID working well together, especially on areas such as private development, economic growth, and governance. Where we have seen a tri-departmental approach—something like the Preventing Sexual Violence Initiative that has thrown up some more challenges—it has maybe not worked so well. DFID has been in the lead in this, so

what do you think the challenges have been? We have also got some FCO and Treasury involvement in the secretariat in terms of governance, and the FCO with an interest. How does DFID successfully overcome those challenges, if it has been successful?

Graham Ward: Undoubtedly there were challenges at the beginning, as a group of people were brought together to work together, as whenever you put together a new team to deal with an issue. We were positively impressed with the way in which that was worked through. We think it has come now to be a good example of multi-departmental working. We would contrast that with, say, the Conflict Pool, where there have been a number of difficulties that we commented upon and opened a report a little while ago.

I think that perhaps having a pretty clear idea of what the objective is here, and of what the different skill sets and experiences are that come from the different Departments that contribute to achieving the overall objective, has been helpful. Things like putting the working-together not only in the centre, but actually on the ground, is helpful as well, because there is nothing like actually being on the ground, dealing with day-to-day issues, in terms of implementing a programme together and cementing a team. That is true in all sorts of contexts. We saw, say, the Climate Change Unit based in Jakarta, with people working together well from the different Departments, and we actually saw the representatives from all of those and invested some time with them in looking at the way in which things were coming together. That was positive, and being clear on what you are working to achieve and doing it at a number of levels—not just at a rather rarefied level, but actually on the ground as well—are things that do bring people together coherently as a team.

Q25 Sir Malcolm Bruce: The issue of how Climate Fund spending is classified was contentious right from the beginning. I seem to remember Gordon Brown at one point suggesting that the World Bank should become the Green Investment Bank. That was dropped fairly quickly, not least because this Committee reacted quite sharply to that idea. The point was that nobody denies that climate change has an impact on poor countries, and that richer countries that have caused the problem have some responsibility to both help them mitigate and adapt. The question that then arises is: should this not be in addition to our previous ongoing commitment to tackle poverty and promote development? Is it not a rather easy thing to say, “Let’s classify the Climate Fund as ODA”, and a great chunk, therefore, of the DECC budget contributes to the UK’s 0.7%?

Graham Ward: We did look at this question, and we did debate this question of whether we believed it was truly ODA. We came to the conclusion that the answer to that question is yes. The capacity of adverse climate change to make the lot of the poor worse in the world is undoubted; the capacity of adverse climate change to unravel the good work that has already been done in terms of alleviating poverty in the world is, in our view, undoubted as well. Therefore, we saw this as something that quite validly could be front and centre, in terms of poverty reduction.

Q26 Sir Malcolm Bruce: Could I push you a bit on that? I do not think anybody would deny that there are significant chunks of climate fund spending that, no doubt, are absolutely consistent with poverty reduction in poor countries, but simply by

classifying it all as ODA, does it not make it a slightly easier decision? Effectively, it is reclassifying something we might spend anyway as aid.

Catherine Cameron: I think the recent IPCC assessment, the Intergovernmental Panel on Climate Change Fifth Assessment Report, which came out at the end of last year, has some helpful observations on this key point, which are that mitigation and adaptation are both required to address the climate challenge. It is just that they are operating in different timeframes, so we need adaptation immediately, now and going forwards, to address the immediate impacts, but we need mitigation to address future impacts going through to the end of the century.

Sir Malcolm Bruce: Like low-carbon development, you mean.

Catherine Cameron: They are equal sides of the same coin, and to split one side of that coin out and say, “This is ODA and the other side not”, is not something that necessarily would be helpful, because we need both.

Q27 Sir Malcolm Bruce: Let me accept that and tease you a bit further. We have DFID’s priority countries and the ICF’s priority countries, and there are significant differences, not least because the ICF’s priority countries are Brazil, China, India, and South Africa, certainly none of which are DFID priority countries. Indeed, when this Committee went to Brazil, we asked the wrong question. We asked DFID what their ODA spending was, and DFID said, “We don’t have any ODA budget in Brazil.” We then discovered that the Foreign Office did, and it was £40 million in forestry, and it presumably came out of the International Climate Fund. So DFID, in my view, was being disingenuous and not answering our question properly. But more to the point, it showed a degree of discomfort within DFID that they could not actually defend—although I think they should have done—why the UK Government were spending £40 million on, presumably, climate issues in Brazil. The same applies to China. I am not saying that these are right or wrong, but it seems to me—and we will ask the Ministers and the Departments themselves—that there is a lack of confidence, perhaps in DFID, in actually defending it.

Catherine Cameron: Can I just speak up on the “disingenuous” point? That is very interesting. That plays to one of one of the recommendations that we are making about the need for the ICF to be clearer about its bilateral and multilateral programming in-country, and to have a combined tracking system for bilateral and multilateral at country level, so that country officers are fully aware of what is being spent by the ICF in-country. It is quite possible that the officers you consulted were not aware, which is what we found, particularly in Indonesia and, to a lesser degree, in Ethiopia.

Sir Malcolm Bruce: Well, we do not have a bilateral programme there.

Catherine Cameron: So there is that issue about ensuring there is full tracking of both bilateral and multilateral funding in-country. I appreciate that is a sub-point to your question.

Graham Ward: It also plays to our recommendation in terms of transparency of ICF activities. But what is fundamentally behind it is that carbon dioxide is not a respecter of national boundaries, and the fact is that emissions in this country can have a deleterious effect on the people of Bangladesh, for example. Improving the absorptive capacity of the

forests in Indonesia or Brazil can have beneficial effects on people in Bangladesh, who I focus on here because they are probably the most exposed in terms of the numbers of people who would suffer in the short term from adverse climate change, but there are many other countries.

Chair: Graham, Catherine, thank you very much indeed for answering our questions so fully. We are very grateful, and that is extremely helpful to us. Thank you. Let's have our next panel, please.

Graham Ward: Thank you, Chairman.

Examination of Witnesses

Witnesses: **Nick Dyer**, Director, General Policy and Global Programmes, DFID, **Andrea Ledward**, Head of Climate and Environment Department, DFID, and **Katrina Williams**, Director General, International Science and Resilience, DECC, gave evidence.

Q28 Chair: Good morning. Sorry to have kept you waiting; we overran slightly with the previous questions, so thank you for your patience. We have Andrea Ledward and Nick Dyer from DFID, and Katrina Williams from DECC, working together to answer our questions this morning. Are there any opening statements you would like to make before we launch into questions?

Nick Dyer: Just in terms of our reactions to the report, like the Commissioner said, I would take a number of key takeaways from the report. The first is the importance of climate change for development and for poverty reduction, and the fact that we are on track to deliver our objectives and to have a significant impact. I was particularly pleased to see the recognition of our influence on multilaterals and the good feedback on learning and safeguarding quality across the three Departments, and I think it set some fair challenges for us, some of which have just come out, around the delivery partners, data, quality, and some challenges around the private sector, which we certainly will take seriously, take away and consider.

Chair: Katrina, do you want to add anything to that?

Katrina Williams: I do not want to add anything in substance. We do work extremely closely together, so Nick has said most of it. I would just say that developing the fund has been a learning process, and I think, actually, the ICAI report has been a very helpful part of defining what our challenges are for the next phase.

Q29 Chair: Private finance is vital to tackling climate change. Now, ICAI says that you have not sufficiently engaged the private sector, which echoes the mismatch between ambition and ability identified by their DFID private sector development review. It is clearly a difficult area for you. How would you go about generating the detailed and differentiated private sector strategy that ICAI calls for, and what will you do to act more quickly when dealing with private investors, as ICAI recommends?

Andrea Ledward: I would just like to echo what Catherine said earlier, which is that working with the private sector takes time. It is very intensive, and it has taken us many years to design and develop partnerships to enable us to start programming and implementing. I think there has been significant progress in the last few months, actually, very recently, in a number of areas. One is the area of data. We have been co-funding a report with Mercer to help get better information out there for pension investors. We have also been working with USAID and Bloomberg on Climatescope, which is improving the information that is out there to inform investors wanting to go into Africa and South Asia.

We have also helped get first close on a couple of private equity funds under the umbrella of CP3, which is a climate public partnership. The Asia partnership reached first close in December, and that reached first close at \$391 million, of which the UK component was about \$90 million, so there has been significant progress.

The third dimension that I would just highlight is with the multilaterals. The Green Climate Fund is the new, important global climate facility that was capitalised to the total of \$10 billion in December, and that will have a new private sector facility that we are very much involved in shaping. We see that as being really groundbreaking and instrumental at the global level and we will bring it forward. A lot of our bilateral programming work will help sow the seeds and incubate some of the projects that we hope will be taken up by that global facility.

Chair: Nick, do you want to add to that?

Nick Dyer: The only thing that I would add is that the private sector is not just one thing. I have spent the last two years talking a lot to the private sector on climate, and what you get back is that some of the private sector want a better business environment; they do not need any subsidy at all. Some need capital or financial support. Some need a consistent revenue stream, so fewer tariffs. Some just want good property rights in a country. What the private sector wants is quite varied across the piece, and it is different in different countries and different companies. With what is a relatively small sum, compared to the needs across the system, what we should be doing is testing what works, and how we can unlock the private sector. That requires quite a lot of different types of interventions, just because of the range of what the private sector themselves are asking for.

Katrina Williams: Very much in line with that, engaging the private sector does take time and effort. Through something called the Global Innovation Lab, we have managed to attract quite a lot of City interest, thanks partly to the fact that the Prince of Wales sponsored a very successful summit for us last June, which attracted 140 different players. That is looking at the kinds of instruments that City experts think would be successful in different environments, so actually building that up—it will report back in April this year—and building up a toolkit are parts of the secret of success in this area. But as Nick says, it is a very diverse field, and it has taken us time to get this rolling.

Q30 Sir Malcolm Bruce: You say on the mid-term evaluation that it did not meet the standards recommended by the DAC, and that this requires significant improvement. Given that it has cost £238,000 to do it, I guess it does. So what was the value of this, if it did not really do the job?

Nick Dyer: It did come up with 15 recommendations across the range of our work and how we govern the facility, many of which are very helpful, and actually, we have produced a management response to that recommendation. It is disappointing, and I think we do need to step back and ask ourselves how we can manage our evaluations better to ensure this does not happen again in the future in terms of procurement, the terms of reference, and how we manage the advisory committee. We will certainly do that, but I would not say it has been completely a waste of resources, because there were some valuable insights and recommendations that we have taken away from it.

Q31 Sir Malcolm Bruce: They said that only one of the 16 Clean Technology Fund investment plans had a results framework in place, which obviously is a pretty serious indictment. What has been the response to that?

Nick Dyer: That has been one of the core areas in which we have engaged with the World Bank, the Clean Technology Fund, and the CIFs—because this is part of the Climate Investment Funds—and the influence that we have had in getting the rest of the international system to start developing results frameworks and to insist on getting results frameworks is recognised in the report. The fact that they are not in place is a function of where they have been, but all of these international funds now, and certainly the CIFs, are starting to develop their own results frameworks. The key performance indicators that we use in our own results framework, I would contend, have been quite influential across the multilateral system.

Q32 Sir Malcolm Bruce: I think the general point that ICAI were making was that when the fund was set up—you make the point that it was a learning process—quite a lot of money was being thrown out before the programme had been properly worked up. As a result of that, an awful lot had to be learned. I suppose the really important question is this. Okay, it was a bit of a scramble at the beginning and it was not properly evaluated; are you confident now that you are able to deliver and demonstrate value for money?

Nick Dyer: Katrina and Andrea may have a view on this. I think there are a number of parts to this. One is: what we are doing internally within DFID? We have had conversations within the Committee in terms of how we improve our use of evidence and our programming and implementation through the changes in our operational framework, so that is part of the story. Part of the story, also, is what we are doing in terms of generating evidence, research and knowledge across the system, which is a public good useful for everybody—we have got the knowledge programme for forestry, which I think is an important part of that—and then whether we are getting the metrics, in terms of the results and value for money, coming back from the programmes that we are funding, which is what we are trying to drive through these results frameworks in the international system. We have developed our own KPIs; we have got methodologies in terms of how we are going to track those. They are works in progress, and we will evolve these, but personally I think the building blocks are in place now to give us that kind of assurance on VFM.

Katrina Williams: Yes, I think I would agree with that. I mean, we in DECC have a rather smaller number of programmes, but have been very careful to work on the issue of KPIs. At the start of the fund, because we were investing in mitigation measures, we actually had

more multilateral bodies that had a track record and could demonstrate value in engaging with mitigation measures.

I think the point Nick makes about the influence we have had with the multilateral bodies is a very important one, in terms of actually challenging and encouraging the climate investment funds to sharpen the way in which they do evaluation. We have also helped and challenged them to move into other areas: so the dedicated private sector programme, which is now being established under the climate investment funds, is doing exactly what we have just been discussing in terms of bringing in private finance, and has the potential to bring in around the equivalent of £9.50 in private finance for each pound of public money invested. It has been a process both of developing our own evaluation model, and in challenging the multilaterals and making sure that they have got those models.

Q33 Sir Malcolm Bruce: And you will be able to prove over time that you have actually achieved that, rather than just that it is possible. I do not think that anybody would object to spending £238,712—to be very precise—on a £3.7 billion fund if it is about saying, “Does it deliver?”, if I could quote the former Secretary of State, Andrew Mitchell. He wanted that for everything that DFID did. It was controversial, but also focused minds. You surely need to be able to do the same thing: to be able to say, “We’ve spent this money, but it has delivered these very definite, measurable outcomes.”

Andrea Ledward: The ICF portfolio consists of over 200 programmes, so each one of those programmes has an individual results framework and an individual monitoring and evaluation component. The challenge for us has been the aggregation of that at a portfolio level. So the first results report that is currently with Ministers, we hope, will be the first transparent and public statement; it will reflect the data that is in the ICAI report, explaining what those KPIs are and explaining in more detail at an aggregate level. As Nick said, that information and those KPIs have been very influential, and you can see them reflected through the CIFs, through the new Green Climate Fund, the results management framework, and you can see them echoed in other parts of the international system. But a critical part is also something Catherine mentioned, which is the country-level analysis. It is the integration at a country level, also—the results from the multilateral and the bilateral. We are doing quite a lot of work—triggered and encouraged in part through the MTE, actually—to think much more systematically about the country-level lens.

Q34 Jeremy Lefroy: Thank you very much for coming and good morning. According to the interim report of the independent evaluation of the climate investment funds, only one of the 16 Clean Technology Fund investment plans did have a results framework in place. Could you explain why this was and what is being done to ensure that that changes?

Katrina Williams: It comes back to the point that Nick was making earlier about the work that we have been doing with the Clean Technology Fund to develop the indicators, to make sure that those are now in place. I think we have made quite a lot of progress on that front.

Q35 Jeremy Lefroy: And are you tracking the results of providing climate funding through the CIFs?

Katrina Williams: Yes. Clearly, with multilateral funds the tracking is more complex than it is for bilateral funding, but tracking the results and making sure that the results are being tracked is a big part of what we have been doing through our membership of the board that effectively manages the trust of the CIFs.

Andrea Ledward: We co-chair the CIFs currently, so we have a really instrumental role, but also one of the things to mention is that the results data that is reflected in the ICAI report is from March. In the next data round, which will be in March 2015, we expect to see a significant jump in the results, because that is when we expect to see some of the CIFs data really coming through. There has been a time lag to do with implementation, so in the next few months we expect to see the CIFs data properly reflected. It has not been available to date.

Q36 Fiona Bruce: In your joint management response to ICAI's report, you accept recommendation 2, which says, "More flexibility in the allocation of resource and capital expenditure is needed". We have heard about resource and capital allocation swaps taking place, but only in the region of 5%. Do you consider there to be a need for greater flexibility than that? I note in your "Action to be taken" you are saying the Government will consider this as part of the next spending review, but presumably you will be making recommendations to the Treasury. Could you give us some information as to how you will be going about that?

Katrina Williams: Yes. The report brings out quite graphically the issues about how you do swaps between capital and RDEL. There are a couple of things to say: first of all, the 50/50 split in RDEL/CDEL at the start and the allocation between Departments was done on the basis of what the Treasury at the time, on the back of our best estimates, thought the individual Departments would need. As we have gone along, we have learned that it is helpful to have more flexibility for DEFRA and DECC to be able to spend RDEL. We have done swaps; we have learned as we have gone along. The Treasury has now given us the pre-authorisation to transfer at least 5% for 2015-16, which I think amounts to about £16.5 million. That, in principle, should be useful for what we need to do for 2015-16. We are just working out at the moment what we, DECC and DEFRA think our RDEL requirements might be. We are doing some work to look at the future of the climate finance mechanisms, and part of that is a conversation with Treasury about whether we need more flexibility.

Q37 Fiona Bruce: But your view is that you do, by the sound of it.

Katrina Williams: It is very useful to have flexibility, and it is useful to be able to think in the context of, for example, whether we might need to spend more money on funding technological developments. Indeed, we are currently talking to the Government's chief scientific adviser about whether there might be more demand for spending more money on R and D and technical applications. To date, I think, if you asked me about looking at 2015-16, I would say that the flexibility that the Treasury has given us is probably sufficient for what we need for 2015-16.

Q38 Fiona Bruce: Could I ask about this issue of managing returnable capital, which my colleague, Jeremy Lefroy, raised? I know that he, with an accounting background, might want to come in on this question again. It is the issue of how much clarity and consistency there is on what is capital, what is returnable capital and how returnable capital is going to be managed going forward if the sums are going to be much bigger and you have got three different departments involved. Could you comment on this, please?

Nick Dyer: Well, let me kick off on this. Mr Lefroy is right, in that the difference between the capital and the returnable capital is who holds the asset. Under straight capital, the asset is held on somebody else's balance sheet; with returnable capital, the assets are actually held on the Department's balance sheet, rather than on the Treasury's balance sheet. It is about who generates the asset and who holds the asset.

That has implications for the Department in terms of how we provision for that asset and how we cover that provisioning, and there are a number of moving parts here. One is how much returnable capital we will get from the Treasury, and that is a bit of an unknown going forward. The second is what the Treasury's definition of returnable capital is, and we are working with them now in terms of what that is. The third is whether we have the skill sets to run returnable capital, and this has come up in previous conversations with the Committee. In DFID, we are focusing very much on looking at a small number of vehicles that can run returnable capital, some of which may have climate in them and some of which may not.

The other is what is actually going on in the DAC in terms of how you define ODA. There was a change last year, in terms of shifting from a "flow of funds" approach to loans, to a grant equivalent. That is not going to kick in until 2018, but again there is another issue, in terms of how we measure ODA. There are lots of moving parts here. The answer to Mr Lefroy's question of how much we currently spend in the ICF on returnable capital is that, actually, it is very small. We have got one example of a vehicle that is returnable, but that is because as an organisation we are trying to approach this very systematically and carefully, just because of the skill sets and the implications.

Katrina Williams: I would agree with that, and, as I think Graham Ward said earlier, from a DECC perspective, our budget is probably less attuned to managing returnable capital. That does not mean that we have been ignoring the returnable capital challenge. Indeed, we have got an investment in the Global Climate Partnership Fund, alongside other countries, that is around £30 million. That is capital that recycles within the fund, but is ultimately potentially returnable to the UK Exchequer, so we have been going—I think as Nick said—in quite a small-scale way and quite cautiously to date. However, I agree that the work that we are doing together on the definitions and quite how we manage returnable capital is immensely important for the future of the climate finance funds.

Fiona Bruce: Although it is obviously up to the Chair, but I would be quite interested in having some further feedback on your thinking in due course on this whole area.

Chair: Yes, certainly. I do not know whether that is something you can provide this Sub-Committee with in future.

Nick Dyer: I certainly think this conversation needs to keep going, because it is an ongoing conversation that I think this Committee will keep coming back to in all of the

conversations that we have. We will certainly have lots of opportunities. The main thing for me in all of this is how we fit with what is going on in the wider DFID approach to the private sector, economic development, and returnable capital.

Fiona Bruce: Absolutely.

Nick Dyer: There is a bigger story there, which I know you have had lots of conversations on, and we need to be fully consistent with that.

Q39 Fiona Bruce: Just a further question, going back to this flexibility between resources and capital expenditure, ICAI said in its report, “The ICF should deepen its engagement with developing country governments and national stakeholders, including through greater emphasis on capacity development”. Now, you partially accept that, I think possibly because in your report, you refer to some actions that you are already taking in that respect, but you do also say that there is a need to, “Identify opportunities to increase ICF support for country-level engagement and capacity building in new and existing programmes,” and I would be interested in you elaborating on some examples of that, and commenting on an earlier question. That was that ICAI says—and I think a number of us on this Committee would concur—that ICF needs to be clearer about in-country spend, to ensure full tracking of bilateral and multilateral projects. Could you comment on that whole area, please?

Katrina Williams: First of all, to give you an example of some of the technical assistance things that, for example, we have used RDEL for in DECC, we have a project called GET FiT Uganda, which is about promoting small-scale, on-grid renewable energy in Uganda. Actually, for this current financial year, one of the things that we have used RDEL for is to do some GET FiT scoping studies for other countries in Africa. That fits very firmly with the technical assistance and building technical ability part of the ambition.

Nick Dyer: On your second point about what footprint we have in a country, and whether we all understand what that footprint is—we have had a number of exchanges with the Committee on this, in terms of how we manage our centrally managed programmes—I can assure the Committee that we are looking at this. We want to be in a position where each of our country offices are absolutely clear in their own minds about what the whole asset base is of DFID’s footprint, and actually, the Government’s wider footprint in that country. That is very much in hand.

Fiona Bruce: Thank you.

Q40 Sir Malcolm Bruce: I raised the issue of the Climate Fund with the Prime Minister at the Liaison Committee the other week, and he said that he saw the Fund as being predominantly for the benefit of poorer countries, but on that basis, the objective of 50/50 between adaptation and mitigation has not been reached. It is about one-third on adaptation. Where are you on that?

Nick Dyer: We expect in 2015-16 the percentage going to adaptation to increase to around 34% on current programming plans. This was never a target; it was an ambition, and it is worth thinking about why it is not as high as perhaps you would expect. I think there are a number of factors to that. One is that the international system and countries themselves are better geared up to engage with mitigation, in terms of these institutions that exist.

Mitigation is more expensive, in terms of the volumes of funding, and, in terms of adaptation, it is very localised. So in terms of the information that you have got available, you really do need to analyse and understand what the impacts are at a very local level and there are quite a lot of information gaps. That said, one of the things that we are trying to do in DFID is spend more of our money in country offices—so, to shift the balance away from centrally managed programmes into bilateral country offices, in part to try and mainstream climate, and in part to do more on adaptation. Over time I would expect the DFID footprint to be moving more towards doing as much, if not more, on adaptation.

Q41 Sir Malcolm Bruce: That raises a tension. You know from the previous exchanges that when the Climate Fund was set up, a lot of the development NGOs and the development community were concerned, not that it was not a good idea, but that it would effectively be raided from what the development budget would otherwise have been. Given that all of the ICF is classified as ODA, and yet money is going into BRIC countries, which are not priorities for DFID, in a sense that means that money is being spent where DFID would not have otherwise spent it. Is there a risk that defining it all as ODA actually diverts money away from poverty reduction and the focus on the poorest people and the poorest countries?

Nick Dyer: If you start from the presumption, which we do, that you cannot achieve poverty reduction unless you address climate change, and you recognise the two elements of climate change—the mitigation and the adaptation—then the reality is that if you want to address mitigation, you have got to operate in middle-income countries. That is where the value for money opportunities are, and that is where the scale is. I mean, 80% of all new forthcoming mitigations are going to be in middle-income countries. As an organisation, we accept that we do operate in middle-income countries. The issue then becomes the how—one is the what, the other is the how. The presumption for our bilateral aid is that we will use returnable capital and technical assistance and, where we can, we will try and get the middle-income countries to self-finance the technical assistance themselves. There is an issue about how you do it, as much as where you do it.

Q42 Sir Malcolm Bruce: It has been said that we only really achieve 0.7% because we set up the Climate Fund, and that we might not otherwise have done so. Do you accept that that is legitimate? I am not criticising the principle, but a big chunk of the DECC budget is now classed as ODA because of this fund.

Nick Dyer: It is 7% to 8% of total ODA, so it is a significant chunk, but given, as has been identified, the delivery challenges of scaling up a new fund at the pace that we were expected to scale that up and all the challenges that that has given us, I do not think that we could have spent the money just as easily elsewhere. It is a key part of the poverty reduction story. It is a relatively modest part of our total effort.

Sir Malcolm Bruce: But it is a big fund.

Nick Dyer: Well, 6% to 7% is a reasonable size, yes.

Q43 Sir Malcolm Bruce: To be clear, it is not that I or any other member of the Committee does not agree that climate change is a major issue and a cause of poverty, and dealing with it helps to mitigate poverty. It is a legitimate, proper part of

development; the concern is whether or not it siphons money away from other pro-poor priorities, because it comes within the overall umbrella, and whether it diverts funds to middle-income countries that might not otherwise have gone there.

I explained earlier that when we went to Brazil, having asked DFID what the ODA in Brazil was and being told it was zero, after our return, we found that £40 million was actually being spent through the Foreign Office, and I am assuming associated with DECC, I suspect, on forestry. Now, first of all, I think the Department could have been more forthcoming, but it implied to me a certain unwillingness to defend and justify the programme. We are doing something similar in China—DECC and DFID are engaged in China. Would it not be better to be up front about all of this and to be quite clear about what is poverty-focused and what is legitimate engagement in dealing with climate change through the aid budget in middle-income countries, rather than being in a sort of denial and pretending we do not do anything in Brazil and China, when clearly we do?

Katrina Williams: It comes back to the point the Prime Minister made at the Liaison Committee, where I think his response to the question about what you invested and how was: “It depends on where the greatest returns can be found”. It is a core part of our international climate negotiation strategy to say that, actually, we are not as the UK in the business of saying that aid should flow from the developed countries to the developing countries. We need to get the incentives right, so that we are actually encouraging the countries that can to think about funding climate mitigation and adaptation themselves. The other thing to bear in mind about investment in middle-income countries is that, actually, there are co-benefits. 73% of the world’s poor people live in middle-income countries. There can be significant co-benefits from investments in things like solar lighting, in terms of making energy cheaper for people right across the board, and that includes benefits to the poorest people.

Nick Dyer: The only thing I would add to that, Sir Malcolm, is that we will get to the end of this year in the new post-MDG framework with a clearer recognition about the importance of sustainability and climate. I think there is going to be an international recognition that we cannot reduce poverty unless we address climate. The reality is that, although you say this is a big fund, the world needs \$260 billion of mitigation activity per year and about \$70 to \$100 million worth of adaptation, so our fund is tiny compared to that. But the challenge for us is how we use the fund to unlock the resources that are needed, and to innovate and demonstrate the impacts at scale that we can actually point to for the resilience and low-carbon target.

Q44 Sir Malcolm Bruce: I do not have a problem with that, but I think ICAI is saying—and I think we would support this—that you should be more open, more transparent, and more accountable, and explain it properly. Where is the pro-poor benefit? How does it fit the development strategy? What is the legitimacy of partnering in middle-income countries in a pro-poor, pro-development context? I am not actually saying that you should not be doing it; I am saying that you are a little bit too diffident and a little bit too uncomfortable, it seems to me, about standing up robustly and explaining it, which I suggest actually gives your critics more opportunity.

Andrea Ledward: I would just draw to your attention the examples of India and Indonesia, which are both very interesting examples where we have joint units. We are actually very confident and proud about what we do in those two middle-income countries. In

Indonesia, which was one of the case studies and is the biggest source of deforestation in the world, we have a joint unit where we work very closely together. It is a great example, actually, of how we are working on integrating the multilateral and the bilateral, and then working with them on the global arena and influencing them politically. India, again, is a great example where it is not huge volumes of finance, but it is very pro-poor focused, and it is a lot of technical assistance to catalyse an enormous amount of change, particularly within the energy sector.

Q45 Jeremy Lefroy: Thank you very much. This really follows up a little bit from Malcolm's question, which is that ICAI found it surprising that the ICF had no dedicated public website, and found it difficult to identify ICF-supported programmes in published budgets. I have to say, I would echo that. It seems to me that the work—obviously a tremendous amount of pretty effective work is going on in many places—has very little public visibility compared with, say, the work that DFID is doing on Ebola and in other areas. I wonder whether this is partly a problem of the split between the three Departments involved, but given that it is a problem—apart from the occasional spurt of activity when there is a climate change conference on and people get interested in that, or perhaps there is a major event—how can we make sure that this work is much more visible, so that the public can understand that this is a real issue. It is not a theoretical issue, but an issue that is affecting the lives of hundreds of millions of people on a daily basis, and the UK is taking major steps to help counter the problems that they face.

Andrea Ledward: We would agree with you. We should, and we could, be doing more, and that is certainly what we aim to do now. There is a lot of information there about the individual programmes, but it is the aggregation of those, as I said, at portfolio level, to help people understand what that means. I am hoping that the reports result that will come out will be the first important step within that, but certainly we could do a significant amount more. I think the first major speech the Secretary of State gave last year on climate was actually quite important in this respect. At UNGA last year, in September, she gave her first major speech, where she talked about the integration of the climate and environment issues within the growth agenda and talked very confidently about the International Climate Fund within that. That, of course, was followed through at Lima—Ed Davey was there—and obviously will be followed through 2015, with all the opportunities building up with, as Nick said, the integration of the financing for development and stable development goals. Then there is the climate summit in Paris at the end of the year. These all give us a great potential, momentum and a platform with which we can start bringing together and talking more confidently about what the UK is doing.

Katrina Williams: I would agree with that, and simply say that I think in the international negotiating forum the profile of the fund has been extremely good, and the leverage that what we are doing under the fund has given us has been extremely powerful, both in terms of getting other people to come to the table, but also in terms of stimulating the debate about the ways in which you can put funding into the system and give the right incentives.

Q46 Jeremy Lefroy: But the British public, with the exception of people who take a great interest in these matters—and the British public do have an interest in

this—are not, I would say, particularly aware of what the UK is doing. It seems to me that if we are to maintain support both for ODA and the expenditure of ODA on adaptation and climate change measures in general, then we need to be much more on the front foot about it, certainly politically. I do not expect you to agree with me necessarily, but would you say the fact that it is split between three Departments causes problems because there is perhaps a reluctance to tread on the toes of another Department?

Nick Dyer: No, I would not agree with that. In fact, from my perspective, this ICF joint-departmental approach is actually one of the stronger examples of cross-collaboration that we have in my part of the business.

Q47 Jeremy Lefroy: Sorry to interrupt you, but at Cabinet level, who speaks up for climate change? Is it the Secretary of State for International Development, or the Secretary of State for Energy and Climate Change?

Nick Dyer: I would hope both, and I think that is the strength of having a Cabinet Minister who deals with international development and having other parts of Government that understand the international dimensions and are prepared to stand up and talk about them.

Katrina Williams: That is absolutely right. It is very much a double hat.

Jeremy Lefroy: I wonder if any colleagues have got any questions.

Chair: Fiona is going to come in on that cross-departmental work.

Q48 Fiona O'Donnell: Carrying on the theme that I asked the earlier Panel, this example of departmental joint working, also with some FCO and Treasury input, do you think there are lessons that can be learned? This appears to have been more successful than other attempts. Where else do you think the opportunities are to replicate this example of joint working?

Katrina Williams: In terms of the lessons learned, it is about the point that Graham Ward was making earlier. We have identified very early where the complementary strengths lie in the different teams, and have actually exploited that at every level—at the centre, at the working level, and in-country. Those are the lessons that it is possible to take, and actually they are based on having a very, very constant dialogue between the three Departments.

Nick Dyer: We have got quite variable geometry across DFID in how we engage with different Departments, for different reasons. I think where you are dealing with a multi-billion pound fund like the ICF, it does make sense to have the governance structure that we have got, where we are working closely together. The CSFF has a similar structure with the MoD, the Foreign Office and DFID in terms of joint oversight of that particular fund, whereas in other cases—certainly in climate—we have got the joint units overseas in India and Indonesia as well. Where it makes sense, we can invest in that scale of governance. In other cases, it may not make so much sense, because you are dealing with smaller sums of money or they are particular issues. In the example that you gave of the Girl Summit last year, we worked really well with the Home Office on getting our own house in order in the UK in terms of our UK approaches to FGM, cutting and child marriage, but that only needed to be a one-off for that moment. We have carried on with the Home Office since then, but we do not need a joint exercise to do that.

Q49 Fiona O'Donnell: There must, though, have been some difficulties. What were they and how did you overcome them?

Nick Dyer: I suspect that of the three of us, the only one who has been in it since the beginning was me. Yes, clearly, there are slightly different cultures in the Departments. We have got slightly different approaches in terms of how we do our business cases. We have just been cognisant of that. I think we have done better over the last few years in terms of reducing the amount of bureaucracy. There was a lot of paperwork, there was a lot of commenting, and we have stripped that back and we are a bit more focused now, in terms of using sub-committees, but also in terms of what our expectations and asks are. That has improved. It was a little bit too top-heavy at the beginning, but I think that has improved a lot since then.

Katrina Williams: I have been in this almost as long as Nick, because I used to be the DEFRA representative on the board, so I have actually changed seats as we were going along. Just to echo what Nick said, I think that making sure that the board that oversees it had enough time to think about the strategy, as opposed to trying to approve all the programmes and putting in the architecture to allow that, was important. It then gave us the forum in which we could acknowledge that we have differences, and discuss those openly and put them on the table. That has helped us to resolve them and make sure that we can work seamlessly together.

Q50 Fiona O'Donnell: Access to the expertise in both DECC and DEFRA must have been hugely helpful to DFID. It would be nice to see that with other departments, like BIS when it comes to economic development, where the expertise is not there within the department.

Nick Dyer: Absolutely, and if you talk to the Government of India, they do not necessarily want to know about adaptation in Uganda, but they may want to know about electricity market reform in the UK. Unlocking that expertise within DECC for the benefit of developing countries is not going to happen through the ICF Committee, but I think that is a valid question, in terms of how we do that across the whole of Government.

Andrea Ledward, Nick Dyer, and Katrina Williams, thank you very much indeed for a very helpful evidence session. That concludes the business of this ICAI Sub-Committee of the International Development Committee. Obviously many of the themes are to be continued, but I thank you very much for your time and your answers this morning.